metro

PRESS RELEASE

METRO REPORTS 2021 FOURTH QUARTER RESULTS

(Montréal, November 17, 2021) - METRO INC. (TSX: MRU) today announced its results for the fourth quarter of fiscal 2021 ended September 25, 2021.

2021 FOURTH QUARTER HIGHLIGHTS

- **Sales of $4,092.0 million, down 1.2%, and up 6.0% vs 2019**
- **Food same-store sales down 2.9%, and up 6.8% vs 2019**
- **Pharmacy same-store sales up 4.1%, and up 9.8% vs 2019**
- **Net earnings of $194.0 million, up 4.0% and adjusted net earnings(1) of $200.6 million, up 3.9%, and up 15.9% and 15.3% respectively vs 2019**
- **Fully diluted net earnings per share of $0.79, up 6.8%, and adjusted fully diluted net earnings per share(1) of $0.81, up 5.2%, and up 19.7% and 19.1% respectively vs 2019**
- **Expenses related to COVID-19 totalling $9 million**

2021 FISCAL HIGHLIGHTS

- **Sales of $18,283.0 million, up 1.6%, and up 9.0% vs 2019**
- **Net earnings of $825.7 million, up 3.7% and adjusted net earnings(1) of $854.2 million, up 3.0%, and up 15.6% and 16.8% respectively vs 2019**
- **Fully diluted net earnings per share of $3.33, up 6.1%, and adjusted fully diluted net earnings per share(1) of $3.44, up 5.2%, and up 19.8% and 21.1% respectively vs 2019**
- **Expenses related to COVID-19 totalling $104 million, including $24 million of gift cards to front-line employees**
- **Record level of capital spending of just under $600 million**

	12 weeks / Fiscal Year				
(Millions of dollars, except for net earnings per share)	**2021**	**%**	2020	%	Change (%)
Sales	**4,092.0**	**100.0**	4,143.6	100.0	(1.2)
Operating income before depreciation and amortization	**403.6**	**9.9**	403.5	9.7	—
Adjusted operating income before depreciation and amortization(2)	**403.6**	**9.9**	403.5	9.7	—
Net earnings	**194.0**	**4.7**	186.5	4.5	4.0
Fully diluted net earnings per share	**0.79**	**—**	0.74	—	6.8
Adjusted net earnings(1)	**200.6**	**4.9**	193.1	4.7	3.9
Adjusted fully diluted net earnings per share(1)	**0.81**	**—**	0.77	—	5.2

(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"

(Millions of dollars, except for net earnings per share)	**2021**	**%**	2020	%	Change (%)
	52 weeks / Fiscal Year				
Sales	**18,283.0**	**100.0**	17,997.5	100.0	1.6
Operating income before depreciation and amortization	**1,732.5**	9.5	1,683.6	9.4	2.9
Adjusted operating income before depreciation and amortization[2]	**1,732.5**	9.5	1,691.1	9.4	2.4
Net earnings	**825.7**	4.5	796.4	4.4	3.7
Fully diluted net earnings per share	**3.33**	—	3.14	—	6.1
Adjusted net earnings[1]	**854.2**	4.7	829.1	4.6	3.0
Adjusted fully diluted net earnings per share[1]	**3.44**	—	3.27	—	5.2

PRESIDENT'S MESSAGE

"We ended the 2021 fiscal year on a strong note with net earnings growth in the fourth quarter, despite lower sales as we cycled exceptional sales last year. As government restrictions eased over the summer, a portion of food consumption transferred back to restaurants, however our food sales continue to compare favourably to pre-pandemic levels. We continue to invest in the modernization of our supply chain, our network of stores, and our omnichannel strategy, with a record level of capital expenditures this year. I want to thank all our colleagues for their unwavering daily commitment to serve our customers during the pandemic while also successfully executing on our long-term strategic priorities", declared Eric La Flèche, President and Chief Executive Officer.

OPERATING RESULTS

SALES

Sales in the fourth quarter of Fiscal 2021 remained strong, reaching $4,092.0 million, down 1.2% compared to $4,143.6 million in the fourth quarter of 2020 as we cycled exceptionally strong sales last year due to the pandemic but up 6.0% over two years. Food same-store sales were down 2.9% versus the same quarter last year (up 10.0% in 2020) but increased 6.8% compared to the fourth quarter of 2019. Online food sales were flat versus last year (up about 160% in 2020). Our food basket inflation was approximately 2.0% (1.0% in the third quarter of 2021). Pharmacy same-store sales were up 4.1% (5.5% in 2020), with a 6.7% increase in prescription drugs and a 1.1% decrease in front-store sales as the prior year included a significant uplift in sales of COVID-19 related products such as masks and sanitizers.

Sales for Fiscal 2021 totalled $18,283.0 million, up 1.6% compared to $17,997.5 million for Fiscal 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 fourth quarter of Fiscal 2021 totalled $403.6 million, or 9.9% of sales and remained stable versus the corresponding quarter of Fiscal 2020.

Operating income before depreciation and amortization for Fiscal 2021 totalled $1,732.5 million or 9.5% of sales, up 2.9% versus last year. During Fiscal 2020, we recognized a loss of $7.5 million on the disposal of our meal-kit subsidiary. Excluding this item, adjusted operating income before depreciation and amortization[2] for Fiscal 2021 increased by 2.4% versus last year.

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

	52 weeks / Fiscal Year					
	2021			2020		
(Millions of dollars, unless otherwise indicated)	**OI**	**Sales**	**(%)**	OI	Sales	(%)
Operating income before depreciation and amortization	**1,732.5**	**18,283.0**	**9.5**	1,683.6	17,997.5	9.4
Loss on disposal of a subsidiary	**—**			7.5		
Adjusted operating income before depreciation and amortization(2)	**1,732.5**	**18,283.0**	**9.5**	1,691.1	17,997.5	9.4

Gross margin on sales for the fourth quarter and Fiscal 2021 was 20.4% and 20.0% respectively, versus 20.2% and 19.9% for the corresponding periods of 2020.

Operating expenses as a percentage of sales for the fourth quarter of Fiscal 2021 were 10.5% versus 10.4% for the corresponding quarter of 2020. COVID-19 related expenses for the fourth quarter of Fiscal 2021 were approximately $9 million versus approximately $27 million in the same quarter last year. This decrease was offset by an increase in costs related to activities and services that were reinstated after initially being halted at the start of the pandemic.

For Fiscal 2021, operating expenses as a percentage of sales were 10.5%, flat versus Fiscal 2020. The costs related to COVID-19 for Fiscal 2021 were approximately $104 million, including $24 million of gift cards to front-line employees, compared to $137 million in 2020. This decrease of $33 million was offset by an increase in other operating expenses, mainly related to activities and services that have been reinstated after initially being halted at the start of the pandemic, and non-recurring costs of approximately $10 million related to the transition to our new fresh distribution center in Ontario.

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the fourth quarter of Fiscal 2021 was $110.8 million versus $118.5 million for the corresponding quarter of 2020. In the fourth quarter of 2020, we recorded accelerated amortization totalling $10.7 million related to the opening of our new fresh products distribution centre in Ontario. For Fiscal 2021, total depreciation and amortization expense was $478.3 million versus $462.5 million for Fiscal 2020. This increase reflects the additional investments in supply chain and logistics as well as in-store technology.

Net financial costs for the fourth quarter of Fiscal 2021 were $28.7 million compared with $30.8 million for the corresponding quarter of 2020. For Fiscal 2021, net financial costs were $133.5 million compared with $136.8 million for 2020.

INCOME TAXES

The income tax expense of $70.1 million for the fourth quarter of Fiscal 2021 represented an effective tax rate of 26.5% compared with an income tax expense of $67.7 million in the fourth quarter of Fiscal 2020 which represented an effective tax rate of 26.6%. The income tax expense of $295.0 million for Fiscal 2021 and $287.9 million for Fiscal 2020 represented an effective tax rate of 26.3% and 26.6% respectively.

NET EARNINGS AND ADJUSTED NET EARNINGS(1)

Net earnings for the fourth quarter of Fiscal 2021 were $194.0 million compared with $186.5 million for the corresponding quarter of 2020, while fully diluted net earnings per share were $0.79 compared with $0.74 in 2020, up 4.0% and 6.8% respectively, and up 15.9% and 19.7% respectively on a two-year basis. Excluding the specific items shown in the table below, adjusted net earnings(1) for the fourth quarter of Fiscal 2021 totalled $200.6 million compared with $193.1 million for the corresponding quarter of 2020, and adjusted fully diluted net earnings per share(1) amounted to $0.81 versus $0.77, up 3.9% and 5.2% respectively, and up 15.3% and 19.1% respectively over two years.

Net earnings for Fiscal 2021 were $825.7 million compared with $796.4 million for Fiscal 2020, while fully diluted net earnings per share were $3.33 compared with $3.14 in 2020, up 3.7% and 6.1% respectively. Excluding the specific items shown in the table below, adjusted net earnings(1) for Fiscal 2021 totalled $854.2 million compared with $829.1 million for Fiscal 2020, and adjusted fully diluted net earnings per share(1) amounted to $3.44 versus $3.27, up

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3.0% and 5.2% 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					
	2021		2020		Change (%)	
	(Millions of dollars)	**Fully diluted EPS (Dollars)**	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	**194.0**	**0.79**	186.5	0.74	4.0	6.8
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	**6.6**		6.6			
Adjusted net earnings[(1)]	**200.6**	**0.81**	193.1	0.77	3.9	5.2

	52 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	**825.7**	**3.33**	796.4	3.14	3.7	6.1
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	**28.5**		28.5			
Adjusted net earnings[(1)]	**854.2**	**3.44**	829.1	3.27	3.0	5.2

NORMAL COURSE ISSUER BID PROGRAM

On September 30, 2021, the Corporation announced the amendment to its normal course issuer bid program. This amendment allows the Corporation to repurchase in the normal course of business an additional 1,500,000 of its Common Shares, bringing the total number of its Common Shares that can be repurchased under the program to 8,500,000 between November 25, 2020 and November 24, 2021. As at November 9, 2021, the Corporation has repurchased 8,500,000 Common Shares at an average price of $58.55, for a total consideration of $497.7 million. The Corporation intends[(3)] to renew its normal course issuer bid program as an additional option for using excess funds.

DIVIDENDS

On September 27, 2021, the Board of Directors declared a quarterly dividend of $0.25 per share, the same amount declared last quarter.

CONTINGENCIES

In the normal course of business, the Corporation is exposed to various contingencies as described in the Corporation's audited annual consolidated financial statements for the fiscal year ended September 26, 2020.

In May 2019, two proposed class actions relating to opioids were filed in Ontario and in Québec by opioid end users against a large group of defendants including a subsidiary of the Corporation, Pro Doc Ltée. In February 2020, a proposed class action relating to opioids was filed in British Columbia by opioid end users against a large group of defendants including subsidiaries of the Corporation, Pro Doc Ltée. and The Jean Coutu Group (PJC) Inc. In April 2021, multiple defendants, including Pro Doc Ltée and The Jean Coutu Group (PJC) Inc., were served with a proposed class action relating to opioids and filed by the City of Grande Prairie, in Alberta. In September 2021, multiple defendants, including Pro Doc Ltée and The Jean Coutu Group (PJC) Inc., were served with a proposed class action relating to opioids and filed by the Peter Ballantyne Cree Nation and the Lac La Ronge Indian Band, in Saskatchewan. The allegations in these proposed class actions are similar to the allegations contained in the proposed class action filed by the province of British Columbia in August 2018 against numerous manufacturers and distributors of opioids, including subsidiaries of the Corporation, Pro Doc Ltée and The Jean Coutu Group (PJC) Inc.

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These proposed class actions contain allegations of breach of the Competition Act, of fraudulent misrepresentation and deceit, and negligence. The province of British Columbia seeks damages (unquantified) on behalf of all federal, provincial and territorial governments and agencies for expenses allegedly incurred in paying for opioid prescriptions and other healthcare costs that would be related to opioid addiction and abuse while the Ontario, Québec and British Columbia proposed claims filed by opioid end users seek recovery of damages on behalf of opioid end users in general. The City of Grande Prairie, on its behalf and on behalf of all Canadian municipalities and local governments, seeks damages which are unquantified in relation to public safety, social service, and criminal justice costs allegedly incurred due to the opioid crisis. The Peter Ballantyne Cree Nation and the Lac La Ronge Indian Band are attempting a similar recourse, claiming unquantified damages from multiple defendants on their own behalf and on behalf of all Indigenous, Metis, First Nation and Inuit communities and governments in Canada. The Corporation believes these proceedings are without merits and that, in certain cases, there is no jurisdiction. No provision for contingent losses has been recognized in the Corporation's annual consolidated financial statements.

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 "predict", "intend" 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 and pharmaceutical industries, the general economy, our annual budget, as well as our 2022 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 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.

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OUTLOOK[3]

While it is difficult to predict how our customers' habits, the labour market and food basket inflation will evolve over the short term, the fundamentals of our business remain strong, and our sales continue to compare favourably to pre-pandemic levels. Our industry is experiencing cost inflation pressures, mostly with respect to cost of goods sold, however we will strive to continue to offer the best value possible to our customers. Our investments in our supply chain modernization projects remain on track with only minor delays due to the pandemic, and our ecommerce footprint continues to grow at a measured pace. As we begin a new fiscal year, our steadfast focus is on exceeding our customers' expectations every day while delivering on our strategic priorities.

CONFERENCE CALL

Financial analysts and institutional investors are invited to participate in a conference call for the **2021 fourth quarter** results at **9:00 a.m. (EST) today, November 17, 2021**. To access the conference call, please dial (416) 764-8651 or 1 (888) 390-0620. The media and investing public may access this conference via a listen mode only.

Notice to readers: *METRO INC. fourth 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 Fourth Quarter Results.*

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