



## PRESS RELEASE

### METRO REPORTS 2022 SECOND QUARTER RESULTS

(Montréal, April 21, 2022) - METRO INC. (TSX: MRU) today announced its results for the second quarter of fiscal 2022 ended March 12, 2022.

#### 2022 SECOND QUARTER HIGHLIGHTS

- Sales of \$4,274.2 million, up 1.9%
- Food same-store sales up 0.8%, and up 11.5% for the first 8 weeks of the second quarter versus 2020 (pre-COVID period)
- Pharmacy same-store sales up 9.4%, and up 11.0% for the first 8 weeks of the second quarter versus 2020 (pre-COVID period)
- Net earnings of \$198.1 million, up 5.3% and adjusted net earnings<sup>(1)</sup> of \$204.7 million, up 5.1%
- Fully diluted net earnings per share of \$0.82, up 9.3%, and adjusted fully diluted net earnings per share<sup>(1)</sup> of \$0.84, up 7.7%
- \$8 million of gift cards paid to front-line employees, the same amount as in the second quarter last year

(Millions of dollars, except for net earnings per share)	12 weeks / Fiscal Year				
	2022	%	2021	%	Change (%)
Sales	4,274.2	100.0	4,193.0	100.0	1.9
Operating income before depreciation and amortization	414.0	9.7	396.1	9.4	4.5
Net earnings	198.1	4.6	188.1	4.5	5.3
Fully diluted net earnings per share	0.82	—	0.75	—	9.3
Adjusted net earnings <sup>(1)</sup>	204.7	4.8	194.7	4.6	5.1
Adjusted fully diluted net earnings per share <sup>(1)</sup>	0.84	—	0.78	—	7.7

(Millions of dollars, except for net earnings per share)	24 weeks / Fiscal Year				
	2022	%	2021	%	Change (%)
Sales	8,590.8	100.0	8,471.2	100.0	1.4
Operating income before depreciation and amortization	838.1	9.8	795.3	9.4	5.4
Net earnings	405.8	4.7	379.3	4.5	7.0
Fully diluted net earnings per share	1.67	—	1.51	—	10.6
Adjusted net earnings <sup>(1)</sup>	418.9	4.9	392.4	4.6	6.8
Adjusted fully diluted net earnings per share <sup>(1)</sup>	1.72	—	1.57	—	9.6

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

<sup>(2)</sup> See section on "Forward-looking Information"

## PRESIDENT'S MESSAGE

*"We are pleased with our results in the second quarter, achieved in a challenging operating environment marked by the Omicron variant and labour shortages throughout the supply chain. Our industry continues to experience higher than normal inflationary pressures and our teams remain focused on providing quality products at competitive prices to our customers. We reached another milestone this quarter with the successful start up of our fully automated frozen distribution center in Toronto. Finally, I am proud to say that for the second time in three years, the Jean Coutu banner has been designated by consumers as the most admired company in Quebec in the latest Leger Reputation survey. This is a reflection of the strength of the brand, the trust of consumers, and the quality of services provided by the pharmacist owners",* declared Eric La Flèche, President and Chief Executive Officer.

## OPERATING RESULTS

### SALES

Sales in the second quarter of Fiscal 2022 remained strong, reaching \$4,274.2 million, up 1.9% compared to \$4,193.0 million in the second quarter of 2021. Food same-store sales were up 0.8% versus the same quarter last year and were up 11.5% for the first 8 weeks of the second quarter compared to the same period of 2020 (pre-COVID period). Online food sales increased by 6.0% versus last year (up 240.0% in 2021). Our food basket inflation was slightly below 5.0% (3.5% in the previous quarter). Pharmacy same-store sales were up 9.4%, with a 7.7% increase in prescription drugs supported by COVID-related activities such as the distribution of rapid tests, and a 13.3% increase in front-store sales supported by a stronger cough and cold season as well as the lower sales last year because of the six-week ban of the sale of non-essential products. Pharmacy same-store sales were up 11.0% for the first 8 weeks of the second quarter versus 2020 (pre-COVID period).

Sales in the first 24 weeks of Fiscal 2022 totalled \$8,590.8 million, up 1.4% compared to \$8,471.2 million for the corresponding period of 2021.

### 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 2022 totalled \$414.0 million, or 9.7% of sales, an increase of 4.5% versus the corresponding quarter of Fiscal 2021. Operating income before depreciation and amortization for the first 24 weeks of Fiscal 2022 totalled \$838.1 million or 9.8% of sales, up 5.4% versus the corresponding period of 2021.

Gross margin on sales for the second quarter and the first 24 weeks of Fiscal 2022 were 20.1% and 20.0% respectively, versus 20.2% and 19.9% for the corresponding periods of 2021.

Operating expenses as a percentage of sales for the second quarter of Fiscal 2022 were 10.4% versus 10.7% for the corresponding quarter of 2021 mainly due to the reduction in COVID-related costs, although gift cards totalling \$8 million were paid to all front-line employees in both years. For the first 24 weeks of Fiscal 2022, operating expenses as a percentage of sales were 10.2% versus 10.5% in 2021.

### DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the second quarter of Fiscal 2022 was \$116.3 million versus \$110.8 million for the corresponding quarter of 2021. This increase reflects the additional investments in supply chain and logistics as well as in-store technology. For the first 24 weeks of Fiscal 2022, total depreciation and amortization expense was \$228.8 million versus \$218.1 million for the corresponding period of 2021.

Net financial costs for the second quarter of Fiscal 2022 were \$27.8 million compared with \$31.3 million for the corresponding quarter of 2021. For the first 24 weeks of Fiscal 2022, net financial costs were \$56.5 million compared with \$62.7 million for the corresponding period of 2021.

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

<sup>(2)</sup> See section on "Forward-looking Information"

## INCOME TAXES

The income tax expense of \$71.8 million for the second quarter of Fiscal 2022 represented an effective tax rate of 26.6% compared with an income tax expense of \$65.9 million and an effective tax rate of 25.9% in the second quarter of Fiscal 2021. The 24-week period income tax expense of \$147.0 million for Fiscal 2022 and \$135.2 million for Fiscal 2021 represented an effective tax rate of 26.6% and 26.3% respectively.

## NET EARNINGS AND ADJUSTED NET EARNINGS<sup>(1)</sup>

Net earnings for the second quarter of Fiscal 2022 were \$198.1 million compared with \$188.1 million for the corresponding quarter of 2021, while fully diluted net earnings per share were \$0.82 compared with \$0.75 in 2021, up 5.3% and 9.3% respectively. Excluding the specific item shown in the table below, adjusted net earnings<sup>(1)</sup> for the second quarter of Fiscal 2022 totalled \$204.7 million compared with \$194.7 million for the corresponding quarter of 2021, and adjusted fully diluted net earnings per share<sup>(1)</sup> amounted to \$0.84 versus \$0.78, up 5.1% and 7.7% respectively.

Net earnings for the first 24 weeks of Fiscal 2022 were \$405.8 million compared with \$379.3 million for the corresponding period of 2021, while fully diluted net earnings per share were \$1.67 compared with \$1.51 in 2021, up 7.0% and 10.6%, respectively. Excluding the specific item shown in the table below, adjusted net earnings<sup>(1)</sup> for the first 24 weeks of Fiscal 2022 totalled \$418.9 million compared with \$392.4 million for the corresponding period of 2021, and adjusted fully diluted net earnings per share<sup>(1)</sup> amounted to \$1.72 versus \$1.57, up 6.8% and 9.6%, respectively.

### Net earnings adjustments<sup>(1)</sup>

	12 weeks / Fiscal Year				Change (%)	
	2022		2021		Net earnings	Fully diluted EPS
	(Millions of dollars)	Fully diluted EPS (Dollars)	(Millions of dollars)	Fully diluted EPS (Dollars)		
Net earnings	198.1	0.82	188.1	0.75	5.3	9.3
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	6.6		6.6			
Adjusted net earnings <sup>(1)</sup>	204.7	0.84	194.7	0.78	5.1	7.7

	24 weeks / Fiscal Year				Change (%)	
	2022		2021		Net earnings	Fully diluted EPS
	(Millions of dollars)	Fully diluted EPS (Dollars)	(Millions of dollars)	Fully diluted EPS (Dollars)		
Net earnings	405.8	1.67	379.3	1.51	7.0	10.6
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	13.1		13.1			
Adjusted net earnings <sup>(1)</sup>	418.9	1.72	392.4	1.57	6.8	9.6

## 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, 2021 and November 24, 2022. Between November 25, 2021 and April 1, 2022, the Corporation has repurchased 2,350,000 Common Shares at an average price of \$66.51, for a total consideration of \$156.3 million.

## DIVIDENDS

On April 20, 2022, the Board of Directors declared a quarterly dividend of \$0.275 per share, the same amount declared last quarter.

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

<sup>(2)</sup> See section on "Forward-looking Information"

## **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 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 2021 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.

## **OUTLOOK<sup>(2)</sup>**

At the start of the third quarter, most government measures to curb the pandemic had been lifted, but the ancillary impacts on our industry are ongoing. We continue to face higher than normal inflationary pressures and labour shortages which, if prolonged, could put pressure on margins. In the short term, we expect food sales to remain relatively stable versus last year while we expect continued growth in our pharmacy business although somewhat moderated versus the first half of the year. The labour conflict with our full-time distribution center employees in Toronto, which started on April 2, 2022, was resolved seven days later with the ratification of a new four-and-a-half-year collective agreement. Our third quarter results will be impacted by the direct costs of the strike and the impact of the new labour agreement, estimated at about \$10 million pre-tax.

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

<sup>(2)</sup> See section on "Forward-looking Information"

## CONFERENCE CALL

Financial analysts and institutional investors are invited to participate in a conference call for the **2022 second quarter** results at **9:00 a.m. (EDT) today, April 21, 2022**. 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. second quarter of 2022 interim condensed consolidated financial statements and management's discussion and analysis are available on the Internet at [www.metro.ca](http://www.metro.ca) - Corporate Site - Investor Relations - 2022 Quarterly Results - 2022 Second Quarter Results.

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