



PRESS RELEASE

METRO REPORTS 2023 FOURTH QUARTER RESULTS

(Montréal, November 15, 2023) - METRO INC. (TSX: MRU) today announced its results for the fourth quarter of Fiscal 2023 ended September 30, 2023.

2023 FOURTH QUARTER HIGHLIGHTS

- 13-week quarter versus 12 weeks in 2022
- Sales of \$5,071.7 million, up \$14.4%
- Food same-store sales⁽¹⁾ up 6.8%
- Pharmacy same-store sales⁽¹⁾ up 5.5%
- Net earnings of \$222.2 million, up 31.7%, and adjusted net earnings⁽¹⁾ of \$228.8 million, up 4.3%
- Fully diluted net earnings per share of \$0.96, up 37.1%, and adjusted fully diluted net earnings per share⁽¹⁾ of \$0.99, up 7.6%
- Negative impact of about \$0.12 per share due to a labour conflict at 27 Metro stores in the Greater Toronto Area

2023 FISCAL HIGHLIGHTS

- 53-week fiscal year versus 52 weeks in 2022
- Sales of \$20,724.6 million, up 9.7%
- Net earnings of \$1,018.8 million, up 19.9%, and adjusted net earnings⁽¹⁾ of \$1,006.6 million, up 9.2%
- Fully diluted net earnings per share of \$4.35, up 23.9%, and adjusted fully diluted net earnings per share⁽¹⁾ of \$4.30, up 12.6%

	Fiscal years				
	2023	%	2022	%	Change (%)
(Millions of dollars, except for net earnings per share)	(13 weeks)		(12 weeks)		
Sales	5,071.7	100.0	4,432.6	100.0	14.4
Operating income before depreciation and amortization and impairments of assets, net of reversals	448.0	8.8	441.4	10.0	1.5
Net earnings	222.2	4.4	168.7	3.8	31.7
Fully diluted net earnings per share	0.96	—	0.70	—	37.1
Adjusted net earnings ⁽¹⁾	228.8	4.5	219.4	4.9	4.3
Adjusted fully diluted net earnings per share ⁽¹⁾	0.99	—	0.92	—	7.6

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"

	Fiscal years				
	2023 (53 weeks)	%	2022 (52 weeks)	%	Change (%)
<i>(Millions of dollars, except for net earnings per share)</i>					
Sales	20,724.6	100.0	18,888.9	100.0	9.7
Operating income before depreciation and amortization and impairments of assets, net of reversals	1,969.6	9.5	1,844.6	9.8	6.8
Net earnings	1,018.8	4.9	849.5	4.5	19.9
Fully diluted net earnings per share	4.35	—	3.51	—	23.9
Adjusted net earnings ⁽¹⁾	1,006.6	4.9	922.1	4.9	9.2
Adjusted fully diluted net earnings per share ⁽¹⁾	4.30	—	3.82	—	12.6

PRESIDENT'S MESSAGE

"We are pleased with our fourth quarter results which were achieved in a challenging operating environment that included a 5-week strike at 27 Metro stores in Ontario. For the first time in our history, sales for the year exceeded \$20 billion and net earnings reached \$1 billion. Our sales momentum remains strong, driven by our discount banners and pharmacy. Food inflation declined steadily during the quarter and our teams continue to deliver the best value possible to our customers every day. We reached a key milestone in our supply chain modernization program with the start-up of our new state-of-the-art automated distribution center for fresh and frozen products north of Montreal. This facility will improve service to our stores and fuel our long-term growth⁽²⁾", declared Eric La Flèche, President and Chief Executive Officer.

OPERATING RESULTS

SALES

Sales in the fourth quarter of Fiscal 2023 remained strong, reaching \$5,071.7 million, and up 14.4 % versus the fourth quarter of the prior year. Excluding the 13th week in 2023, fourth quarter sales were up 5.4%. Food same-store sales⁽¹⁾ were up 6.8% (8.0% in the fourth quarter of 2022) driven mostly by our discount banners. Online food sales⁽¹⁾ were up 116.0% versus last year (33.0% in the fourth quarter of 2022), mostly driven by higher partnership sales. Our food basket inflation was about 5.5%, lower than reported CPI and down from 8.0% in the third quarter. Pharmacy same-store sales⁽¹⁾ were up 5.5% (7.4% in the fourth quarter of 2022), with a 6.7% increase in prescription drugs⁽¹⁾ and a 3.1% increase in front-store sales⁽¹⁾, with increases across most categories except over-the-counter products as we cycled very high sales last year due to a strong cough and cold season.

Sales for Fiscal 2023 totalled \$20,724.6 million, up 9.7% compared to \$18,888.9 million for Fiscal 2022. Excluding the 53rd week in 2023, sales were up 7.6%.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND IMPAIRMENTS OF ASSETS, NET OF REVERSALS

This earnings measurement excludes financial costs, taxes, depreciation and amortization and impairments of assets, net of reversals.

Operating income before depreciation and amortization and impairments of assets, net of reversals for the fourth quarter of Fiscal 2023 totalled \$448.0 million, or 8.8% of sales, an increase of 1.5% versus the corresponding quarter of Fiscal 2022. The fourth quarter of 2023 was unfavorably impacted by \$36.7 million of estimated lost profits and direct costs from a labour conflict at 27 Metro stores in the Greater Toronto Area. For Fiscal 2023 operating income before depreciation and amortization and impairments of assets, net of reversals totalled \$1,969.6 million or 9.5% of sales, up 6.8% versus the corresponding period of 2022.

Gross profit for the fourth quarter of 2023 was unfavorably impacted by \$36.3 million of estimated lost profits and direct costs related to a labour conflict at 27 Metro stores in the Greater Toronto Area. Gross margin⁽¹⁾ for the fourth quarter and Fiscal 2023 were 19.5% and 19.7% respectively, versus 20.4% and 20.0% for the corresponding periods

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"

of 2022, reflecting the impact of lost sales related to the strike and a decline in our food margin partly offset by an increase in our pharma division.

Operating expenses as a percentage of sales for the fourth quarter and Fiscal 2023 were 10.7% and 10.2% versus 10.7% and 10.4% in the corresponding periods of 2022. The net impact of a labour conflict at 27 Metro stores in the Greater Toronto Area on operating expenses in the fourth quarter of 2023 was an increase of \$0.4 million. If not for lost sales due to the strike, operating expenses as a percentage of sales would have been lower than last year.

DEPRECIATION AND AMORTIZATION

Total depreciation and amortization expense for the fourth quarter and Fiscal 2023 was \$125.0 million and \$525.2 million versus \$119.8 million and \$503.3 million for the corresponding periods of 2022.

IMPAIRMENTS OF ASSETS, NET OF REVERSALS

There were no impairments of assets, net of reversals in Fiscal 2023. During the fourth quarter of Fiscal 2022, the Corporation recorded \$70.1 million of impairments of assets, net of reversals, including \$60.0 million⁽¹⁾ resulting from our decision to have Jean Coutu withdraw from the Air Miles® loyalty program in the spring of 2023. This impairment represents the entire carrying value of the Jean Coutu loyalty program asset. Impairment losses were also recorded on store assets, mainly right-of-use assets, whose recoverable amounts were lower than their carrying amounts. Impairment reversals were recognized during the fourth quarter of 2022 for other sites, following changes in the estimates used to determine the recoverable amount.

NET FINANCIAL COSTS

Net financial costs for the fourth quarter of Fiscal 2023 were \$30.1 million compared with \$25.3 million for the corresponding quarter of 2022. The increase is mostly due to higher debt partly mitigated by higher capitalized interests on our distribution center automation projects. For Fiscal 2023, net financial costs were \$122.6 million compared with \$117.6 million for Fiscal 2022.

INCOME TAXES

The income tax expense of \$70.7 million for the fourth quarter of Fiscal 2023 represented an effective tax rate of 24.1% compared with an income tax expense of \$57.5 million and an effective tax rate of 25.4% in the fourth quarter of Fiscal 2022. The income tax expense of \$303.0 million for Fiscal 2023 and \$304.1 million for Fiscal 2022 represented an effective tax rate of 22.9% and of 26.4% respectively. The decrease in the effective tax rate in 2023 is mainly attributable to the recording of tax assets of \$40.7 million in the third quarter of Fiscal 2023, for capital losses previously refused by the Canada Revenue Agency.

NET EARNINGS AND ADJUSTED NET EARNINGS⁽¹⁾

Net earnings for the fourth quarter of Fiscal 2023 were \$222.2 million compared with \$168.7 million for the corresponding quarter of 2022, while fully diluted net earnings per share were \$0.96 compared with \$0.70 in 2022, up 31.7% and 37.1% respectively. Excluding the specific items shown in the table below, adjusted net earnings⁽¹⁾ for the fourth quarter of Fiscal 2023 totalled \$228.8 million compared with \$219.4 million for the corresponding quarter of 2022 and adjusted fully diluted net earnings per share⁽¹⁾ were \$0.99 versus \$0.92, up 4.3% and 7.6% respectively. The labour conflict at 27 Metro stores in the Greater Toronto Area had an unfavorable impact of approximately \$27.0 million after-tax or \$0.12 per share. The 13th week had a favorable impact of \$27.0 million net of tax or \$0.12 per share.

Net earnings for Fiscal 2023 were \$1,018.8 million compared with \$849.5 million for Fiscal 2022, while fully diluted net earnings per share were \$4.35 compared with \$3.51 in 2022, up 19.9% and 23.9%, respectively. Excluding the specific items shown in the table below, adjusted net earnings⁽¹⁾ for Fiscal 2023 totalled \$1,006.6 million compared with \$922.1 million for Fiscal 2022, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$4.30 versus \$3.82, up 9.2% and 12.6%, respectively.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"

Net earnings and fully diluted net earnings per share (EPS) adjustments⁽¹⁾

	2023		2022		Change (%)	
	(13 weeks)		(12 weeks)		Net earnings	Fully diluted EPS
	Net earnings (Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings (Millions of dollars)	Fully diluted EPS (Dollars)		
Per financial statements	222.2	0.96	168.7	0.70	31.7	37.1
Loss on impairment of a loyalty program, net of taxes of \$15.9	—		44.1			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, net of taxes of \$2.4	6.6		6.6			
Adjusted measures ⁽¹⁾	228.8	0.99	219.4	0.92	4.3	7.6

	2023		2022		Change (%)	
	(53 weeks)		(52 weeks)		Net earnings	Fully diluted EPS
	Net earnings (Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings (Millions of dollars)	Fully diluted EPS (Dollars)		
Per financial statements	1,018.8	4.35	849.5	3.51	19.9	23.9
Loss on impairment of a loyalty program, net of taxes of \$15.9	—		44.1			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, net of taxes of \$10.2	28.5		28.5			
Favorable tax adjustment in respect of prior years	(40.7)		—			
Adjusted measures ⁽¹⁾	1,006.6	4.30	922.1	3.82	9.2	12.6

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, 2022 and November 24, 2023. Between November 25, 2022 and November 7, 2023, the Corporation has repurchased 6,719,700 Common Shares at an average price of \$72.09, for a total consideration of \$484.4 million. The Corporation intends⁽²⁾ to renew its normal course issuer bid program as an additional option for using excess funds.

DIVIDENDS

On October 6, 2023, the Board of Directors declared a quarterly dividend of \$0.3025 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. Expressions such as "intend", "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 2024 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. Risk factors that could cause actual results or events to differ materially from our expectations as

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

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expressed in, or implied by, our forward-looking statements are described and discussed under the "Risk Management" section in our Annual Report 2022.

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-GAAP AND OTHER FINANCIAL MEASUREMENTS

In addition to the International Financial Reporting Standards (IFRS) measurements provided, we have included certain non-GAAP and other financial 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.

National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure sets out specific disclosure requirements for non-GAAP financial measures, non-GAAP ratios, and other financial measures, which are capital management measures, supplementary financial measures, and total of segments measures, as defined in the Instrument (together the "specified financial measures").

The specified financial measures we disclose in our documents made available to the public are presented by measurement categories below.

NON-GAAP FINANCIAL MEASURES

Adjusted net earnings is a non-GAAP financial measurement that with respect to its composition is adjusted to exclude an amount that is included in, or include an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in our consolidated financial statements.

For measurements depicting financial performance, we believe that presenting earnings adjusted for these items, which are not necessarily reflective of the Corporation's performance, leaves readers of financial statements better informed thus enabling them to better perform trend analysis, evaluate the Corporation's financial performance and assess its future outlook. Adjusting for these items does not imply that they are non-recurring.

NON-GAAP RATIOS

Adjusted fully diluted net earnings per share is a non-GAAP ratio by where a non-GAAP financial measure is used as one or more of its components.

We believe that presenting this ratio, in which a non-GAAP financial measurement is used as one or more of its components, leaves readers of financial statements better informed as to the current period and corresponding prior year's period's performance, thus enabling them to better perform trend analysis, evaluate the Corporation's financial performance and assess its future outlook. Adjusting for these items does not imply that they are non-recurring.

SUPPLEMENTARY FINANCIAL MEASURES

The supplementary financial measures listed below are, or are intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of the Corporation.

Food same-store sales and pharmacy same-store sales (including total, front-store and prescription drugs) are defined as comparable retail sales of stores with more than 52 consecutive weeks of operations, including relocated, expanded and renovated locations.

Online food sales are the sum of sales made from all our online channels.

Gross margin ratio is calculated by dividing gross profit by sales.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"

OUTLOOK⁽²⁾

As we begin our new fiscal year, we are ramping up our new state-of-the-art, automated distribution center north of Montreal and the expansion of our Montreal produce facility as planned. We are also preparing for the launch of the final phase of our automated fresh facility in Toronto next spring. While these investments position us well for continued long-term profitable growth, we are facing significant headwinds in Fiscal 2024 as we incur some temporary duplication of costs and learning curve inefficiencies, as well as higher depreciation and lower capitalized interest. We will not fully absorb these additional expenses and we are currently forecasting operating income before depreciation and amortization and impairments of assets, net of reversals to grow by less than 2% in Fiscal 2024 versus the level reported in Fiscal 2023, and adjusted net earnings per share to be flat to down \$0.10 in Fiscal 2024 versus the level reported in Fiscal 2023. We expect to resume our profit growth post Fiscal 2024 and are maintaining our publicly disclosed annual growth target of between 8% and 10% for net earnings per share over the medium and long term.

CONFERENCE CALL

Financial analysts and institutional investors are invited to participate in a conference call for the **2023 fourth quarter** results at **9:00 a.m. (EST) today, November 15, 2023**. 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 2023 interim condensed consolidated financial statements and management's discussion and analysis are available on the Internet at www.corpo.metro.ca - Corporate Site - Investors - 2023 Quarterly Results - 2023 Fourth 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

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⁽²⁾ See section on "Forward-looking Information"