



PRESS RELEASE

METRO REPORTS 2023 THIRD QUARTER RESULTS

(Montréal, August 9, 2023) - METRO INC. (TSX: MRU) today announced its results for the third quarter of fiscal 2023 ended July 1, 2023.

2023 THIRD QUARTER HIGHLIGHTS

- Sales of \$6,427.5 million, up 9.6%
- Food same-store sales⁽¹⁾ up 9.4%
- Pharmacy same-store sales⁽¹⁾ up 5.9%
- Net earnings of \$346.7 million, up 26.1%, and adjusted net earnings⁽¹⁾ of \$314.8 million, up 10.9%
- Fully diluted net earnings per share of \$1.49, up 30.7%, and adjusted fully diluted net earnings per share⁽¹⁾ of \$1.35, up 14.4%

(Millions of dollars, except for net earnings per share)	2023	16 weeks / Fiscal Year			
		%	2022	%	Change (%)
Sales	6,427.5	100.0	5,865.5	100.0	9.6
Operating income before depreciation and amortization	612.3	9.5	565.1	9.6	8.4
Net earnings	346.7	5.4	275.0	4.7	26.1
Fully diluted net earnings per share	1.49	—	1.14	—	30.7
Adjusted net earnings ⁽¹⁾	314.8	4.9	283.8	4.8	10.9
Adjusted fully diluted net earnings per share ⁽¹⁾	1.35	—	1.18	—	14.4

(Millions of dollars, except for net earnings per share)	2023	40 weeks / Fiscal Year			
		%	2022	%	Change (%)
Sales	15,652.9	100.0	14,456.3	100.0	8.3
Operating income before depreciation and amortization	1,521.6	9.7	1,403.2	9.7	8.4
Net earnings	796.6	5.1	680.8	4.7	17.0
Fully diluted net earnings per share	3.39	—	2.81	—	20.6
Adjusted net earnings ⁽¹⁾	777.8	5.0	702.7	4.9	10.7
Adjusted fully diluted net earnings per share ⁽¹⁾	3.31	—	2.90	—	14.1

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

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

PRESIDENT'S MESSAGE

"We delivered solid results in the third quarter fueled by strong same-store sales and good operating leverage. With persistent food inflation, our teams did an excellent job to offer good value to our customers, resulting in market share gains and tonnage growth, driven by our discount food stores. Our loyalty program MOÍ was successfully launched this quarter and we are pleased with the strong customer response so far. This enhanced program provides even more value to customers by offering multiple ways to earn and redeem points on food and pharmacy purchases in Québec. We are clearly disappointed with the current labour dispute in 27 of our Metro stores in the Greater Toronto Area given that we had reached a very good agreement that was unanimously recommended by union representatives. We look forward to a resolution and the re-opening of our stores as soon as possible, while ensuring the long-term competitiveness of our company⁽²⁾", declared Eric La Flèche, President and Chief Executive Officer.

OPERATING RESULTS

SALES

Sales in the third quarter of Fiscal 2023 remained strong, reaching \$6,427.5 million, and up 9.6%. Food same-store sales⁽¹⁾ were up 9.4% (1.1% in the third quarter of 2022) driven by the continuing shift to discount and high inflation. Online food sales⁽¹⁾ were up 99.0% versus last year (flat in the third quarter of 2022), mostly driven by higher partnership sales. Our food basket inflation was about 8.0%, lower than reported food CPI and lower than the previous quarter. Pharmacy same-store sales⁽¹⁾ were up 5.9% (7.2% in the third quarter of 2022), with a 6.7% increase in prescription drugs⁽¹⁾ and a 4.1% increase in front-store sales⁽¹⁾, with increases across most categories except over-the-counter products.

Sales in the first 40 weeks of Fiscal 2023 totalled \$15,652.9 million, up 8.3% compared to \$14,456.3 million for the corresponding period of 2022.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

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

Operating income before depreciation and amortization for the third quarter of Fiscal 2023 totalled \$612.3 million, or 9.5% of sales, an increase of 8.4% versus the corresponding quarter of Fiscal 2022. Included in the third quarter of Fiscal 2023 are launch costs of \$5.1 million related to our loyalty program MOÍ. Included in the third quarter of Fiscal 2022 are \$7.7 million of direct costs related to the one-week labour conflict and collective agreement ratification with our distribution center employees in Toronto offset by a non-recurring gain on the sale of assets of \$8.7 million. Operating income before depreciation and amortization for the first 40 weeks of Fiscal 2023 totalled \$1,521.6 million or 9.7% of sales, up 8.4% versus the corresponding period of 2022.

Gross margin⁽¹⁾ for the third quarter and the first 40 weeks of Fiscal 2023 were 19.6% and 19.8% respectively, versus 19.8% and 19.9% for the corresponding periods of 2022, reflecting the decline in our food margin. Gross profit for the third quarter of 2022 included \$5.3 million of direct costs related to the one-week labour conflict with our distribution center employees in Toronto.

Operating expenses as a percentage of sales for the third quarter and for the first 40 weeks of Fiscal 2023 were 10.1% versus 10.3% in the corresponding periods of 2022. Operating expenses in the third quarter of Fiscal 2023 were impacted by \$5.1 million of launch costs related to our loyalty program MOÍ as well as fees related to higher online partnership sales. Included in the third quarter of Fiscal 2022 are \$2.4 million of direct costs related to the one-week labour conflict with our distribution center employees in Toronto.

DEPRECIATION AND AMORTIZATION

Total depreciation and amortization expense for the third quarter of Fiscal 2023 was \$159.5 million versus \$154.7 million for the corresponding quarter of 2022. For the first 40 weeks of Fiscal 2023, total depreciation and amortization expense was \$400.2 million versus \$383.5 million for the corresponding period of 2022.

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

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

NET FINANCIAL COSTS

Net financial costs for the third quarter of Fiscal 2023 were \$37.1 million compared with \$35.8 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 the first 40 weeks of Fiscal 2023, net financial costs were \$92.5 million compared with \$92.3 million for the corresponding period of 2022.

INCOME TAXES

The income tax expense of \$69.0 million for the third quarter of Fiscal 2023 represented an effective tax rate of 16.6% compared with an income tax expense of \$99.6 million and an effective tax rate of 26.6% in the third quarter of Fiscal 2022. The Corporation recorded tax assets of \$40.7 million in the quarter (\$8.2 million of current tax assets and \$32.5 million of deferred tax assets) with an equivalent reduction of the tax expense following a favorable judgement at the Tax Court of Canada. Capital losses previously disallowed by the Canada Revenue Agency ("CRA") on the disposition of shares of a subsidiary in the years 2012 to 2014, have now been granted. The CRA subsequently accepted that the Corporation amend a rollover form filed for the tax year ended March 3, 2018, resulting in an increase in the tax base of intangible assets.

The 40-week period income tax expense of \$232.3 million for Fiscal 2023 and \$246.6 million for Fiscal 2022 represented an effective tax rate of 22.6% and of 26.6% respectively.

NET EARNINGS AND ADJUSTED NET EARNINGS⁽¹⁾

Net earnings for the third quarter of Fiscal 2023 were \$346.7 million compared with \$275.0 million for the corresponding quarter of 2022, while fully diluted net earnings per share were \$1.49 compared with \$1.14 in 2022, up 26.1% and 30.7% respectively. Excluding the specific items shown in the table below, adjusted net earnings⁽¹⁾ for the third quarter of Fiscal 2023 totalled \$314.8 million compared with \$283.8 million for the corresponding quarter of 2022 and adjusted fully diluted net earnings per share⁽¹⁾ were \$1.35 versus \$1.18, up 10.9% and 14.4% respectively.

Net earnings for the first 40 weeks of Fiscal 2023 were \$796.6 million compared with \$680.8 million for the corresponding period of 2022, while fully diluted net earnings per share were \$3.39 compared with \$2.81 in 2022, up 17.0% and 20.6%, respectively. Excluding the specific items shown in the table below, adjusted net earnings⁽¹⁾ for the first 40 weeks of Fiscal 2023 totalled \$777.8 million compared with \$702.7 million for the corresponding period of 2022, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$3.31 versus \$2.90, up 10.7% and 14.1%, respectively.

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

	16 weeks / Fiscal Year					
	2023		2022		Change (%)	
	Net earnings (Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings (Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Per financial statements	346.7	1.49	275.0	1.14	26.1	30.7
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, net of taxes of \$3.1	8.8		8.8			
Favorable tax adjustment in respect of prior years	(40.7)		—			
Adjusted measures ⁽¹⁾	314.8	1.35	283.8	1.18	10.9	14.4

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

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

	40 weeks / Fiscal Year					
	2023		2022		Change (%)	
	Net earnings (Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings (Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Per financial statements	796.6	3.39	680.8	2.81	17.0	20.6
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, net of taxes of \$7.8	21.9		21.9			
Favorable tax adjustment in respect of prior years	(40.7)		—			
Adjusted measures ⁽¹⁾	777.8	3.31	702.7	2.90	10.7	14.1

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 July 28, 2023, the Corporation has repurchased 6,219,700 Common Shares at an average price of \$72.23, for a total consideration of \$449.3 million.

DIVIDENDS

On August 8, 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 "looking forward", "predict" 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 2023 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 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").

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

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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 measurements 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.

OUTLOOK⁽²⁾

We remain focused on offering quality products at competitive prices as higher than normal inflation and market challenges persist. While we are not able to predict how the current macro-economic environment will evolve, we are seeing some moderation in food inflation, although it is still elevated compared to pre-pandemic levels. With this backdrop, we remain resilient and committed to providing the best value for our customers while delivering on our strategic priorities. In this respect, we look forward to the launch of our state-of-the-art, automated distribution center north of Montreal in the coming weeks.

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

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CONFERENCE CALL

Financial analysts and institutional investors are invited to participate in a conference call for the **2023 third quarter** results at **9:00 a.m. (EDT) today, August 9, 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. third 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 Third Quarter Results.

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