



METRO REPORTS 2024 FIRST QUARTER RESULTS

MONTREAL, Jan. 30, 2024 /CNW/ - METRO INC. (TSX: MRU) today announced its results for the first quarter of Fiscal 2024 ended December 23, 2023.

2024 FIRST QUARTER HIGHLIGHTS

- Sales of \$4,974.2 million, up 6.5%
- Food same-store sales⁽¹⁾ up 6.1%, and up 3.4% when adjusting for the Christmas week shift⁽³⁾
- Pharmacy same-store sales⁽¹⁾ up 3.9%
- Net earnings of \$228.5 million, down 1.1%, and adjusted net earnings⁽¹⁾ of \$235.0 million, down 1.1%
- Fully diluted net earnings per share of \$0.99, up 2.1%, and adjusted fully diluted net earnings per share⁽¹⁾ of \$1.02, up 2.0%
- Declared dividend of \$0.3350 per share, up 10.7% versus last year

(Millions of dollars, except for net earnings per share)	12 weeks / Fiscal Year				
	2024	%	2023	%	Change (%)
Sales	4,974.2	100.0	4,670.9	100.0	6.5
Operating income before depreciation and amortization	468.1	9.4	462.0	9.9	1.3
Net earnings	228.5	4.6	231.1	4.9	(1.1)
Fully diluted net earnings per share	0.99	—	0.97	—	2.1
Adjusted net earnings ⁽¹⁾	235.0	4.7	237.6	5.1	(1.1)
Adjusted fully diluted net earnings per share ⁽¹⁾	1.02	—	1.00	—	2.0

PRESIDENT'S MESSAGE

"We recorded solid results in the first quarter as our teams continued to deliver good value to customers in all our food and pharmacy banners. Our discount food stores continue to grow their sales at a faster pace, private label penetration reached new heights and our MOI loyalty program now has 2.5 million members, double the size of Metro&Moi. The opening our new 600,000 square feet automated fresh and frozen distribution center in Terrebonne in October was a success and the ramp-up of operations is on track with our plan and the guidance given in November. We are confident that our sustained investments in the modernization of our supply chain and our retail networks will continue to create long term value for our shareholders⁽²⁾", declared Eric La Flèche, President and Chief Executive Officer.

OPERATING RESULTS

SALES

Sales in the first quarter of Fiscal 2024 ended on December 23, 2023 were \$4,974.2 million, up 6.5% versus the first quarter of the prior year which ended on December 17, 2022. Food same-store sales⁽¹⁾ were up 6.1% (7.5% in the first quarter of 2023), and up 3.4% when adjusting for the Christmas shift⁽³⁾. Online food sales⁽¹⁾ were up 105.0% versus last year (40.0% in the first quarter of 2023), mostly driven by higher partnership sales. Our food basket inflation was about 4.0%, lower than reported CPI and down from 5.5% in the previous quarter. Pharmacy same-store sales⁽¹⁾ were up 3.9% (7.7% in the first quarter of 2023), with a 6.6% increase in prescription drugs⁽¹⁾ and a 1.2%

decrease in front-store sales⁽¹⁾, as we cycled very high sales last year due to an exceptionally strong cough and cold season.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

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

Operating income before depreciation and amortization for the first quarter of Fiscal 2024 totalled \$468.1 million, or 9.4% of sales, an increase of 1.3% versus the corresponding quarter of Fiscal 2023. Last year included gains on disposal of assets of \$4.4 million versus \$1.2 million this year.

Gross margin⁽¹⁾ for the first quarter of Fiscal 2024 was 19.6%, which is the same percentage as the corresponding quarter of 2023.

Operating expenses as a percentage of sales for the first quarter of Fiscal 2024 were 10.2% versus 9.8% in the corresponding quarter of 2023. The increase in operating expenses is mainly due to the commissioning of our new automated distribution centre for fresh and frozen products in Terrebonne.

DEPRECIATION AND AMORTIZATION

Total depreciation and amortization expense for the first quarter of Fiscal 2024 was \$131.1 million versus \$120.1 million for the corresponding quarter of 2023. The increase in depreciation and amortization expense is mainly due to the commissioning of our new automated distribution centre for fresh and frozen products in Terrebonne.

NET FINANCIAL COSTS

Net financial costs for the first quarter of Fiscal 2024 were \$32.4 million compared with \$27.1 million for the corresponding quarter of 2023. The increase is mainly due to an increase in debt, higher interest rates and lower capitalized interest related to our distribution center automation projects.

INCOME TAXES

The income tax expense of \$76.1 million for the first quarter of Fiscal 2024 represented an effective tax rate of 25.0% which reflected a favorable tax adjustment in respect of prior years, compared with an income tax expense of \$83.7 million and an effective tax rate of 26.6% for the first quarter of Fiscal 2023.

NET EARNINGS AND ADJUSTED NET EARNINGS⁽¹⁾

Net earnings for the first quarter of Fiscal 2024 were \$228.5 million compared with \$231.1 million for the corresponding quarter of 2023, while fully diluted net earnings per share were \$0.99 compared with \$0.97 in 2023, down 1.1% and up 2.1% respectively. Excluding the specific item shown in the table below, adjusted net earnings⁽¹⁾ for the first quarter of Fiscal 2024 totalled \$235.0 million compared with \$237.6 million for the corresponding quarter of 2023 and adjusted fully diluted net earnings per share⁽¹⁾ were \$1.02 versus \$1.00, down 1.1% and up 2.0% respectively.

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

	12 weeks / Fiscal Year				Change (%)	
	2024		2023		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	228.5	0.99	231.1	0.97	(1.1)	2.1
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, net of taxes of \$2.4	6.5		6.5			

Adjusted measures ⁽¹⁾	235.0	1.02	237.6	1.00	(1.1)	2.0
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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, 2023 and November 24, 2024. Between November 25, 2023 and January 19, 2024, the Corporation has repurchased 1,675,000 Common Shares at an average price of \$67.89, for a total consideration of \$113.7 million.

DIVIDENDS

On January 29, 2024, the Board of Directors declared a quarterly dividend of \$0.3350 per share, an increase of 10.7% versus last year's quarterly dividend.

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 "continue", "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 expressed in, or implied by, our forward-looking statements are described and discussed under the "Risk Management" section in our Annual Report 2023.

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.

OUTLOOK⁽²⁾

With the launch of our new state-of-the-art automated distribution centre in Terrebonne, and the launch of the final phase of our automated fresh produce plant in Toronto next spring, 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. While these investments position us well for continued long-term profitable growth, we will not fully absorb these additional expenses in the current fiscal year and are forecasting operating income before depreciation and amortization to grow by less than 2% 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 **2024 first quarter** results at **1:30 p.m. (EST) today, January 30, 2024**. 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. first quarter of 2024 interim condensed consolidated financial statements and management's discussion and analysis are available on the Internet at www.corpo.metro.ca - Corporate Site - Investors - 2024 Quarterly Results - 2024 First

Quarter Results.

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

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

(3) This measure compares same-store-sales⁽¹⁾ for the 12-week period ending December 23, 2023 with that ending December 22, 2022.

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For further information: 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

CO: METRO INC.

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