

metro



Jean Coutu

***Creating a New Retail Leader in
Food, Pharmacy, Health and Beauty***

October 2, 2017

Forward Looking Statement

Today's presentation contains different statements that could be construed as being forward-looking information. In general, any statement which does not constitute a historical fact, may be deemed a forward-looking statement. Expressions such as “expect”, “potential”, “estimate”, “intend”, “are confident that”, “will” and other similar expressions are generally indicative of forward-looking statements. The forward-looking statements are based upon certain assumptions regarding the Canadian food industry, the general economy, and our annual budget as well as our 2016-2017 action plan.

More particularly and without limitation, this presentation contains forward-looking statements and information concerning statements or implications about the anticipated benefits of the combination of METRO inc. and The Jean Coutu Group (PJC) Inc. (the “Transaction”), including future financial and operating results of the combined entity, the anticipated financing structure of the Transaction, the anticipated timing for the special meeting of Jean Coutu Group shareholders and the anticipated timing for the completion of the Transaction. METRO has provided forward-looking statements in reliance on certain assumptions that it believes are reasonable at this time, including assumptions as to the ability of the parties to receive, in a timely manner and on satisfactory terms, the necessary regulatory approvals and approval of the Transaction by Jean Coutu Group shareholders; the ability of the parties to satisfy, in a timely manner, the other conditions to the closing of the Transaction; and other expectations and assumptions concerning the Transaction.

These forward-looking statements do not provide any guarantees as to the future performance of the Company and are subject to potential risks, known and unknown, as well as uncertainties that could cause the outcome to differ significantly. A description of the risks which could have an impact on these statements can be found under the “Risk Management” section of the 2016 Annual Report. Risks and uncertainties inherent in the nature of the Transaction include without limitation the failure of the parties to obtain the necessary shareholder and regulatory approvals, or to otherwise satisfy the conditions to the completion of the Transaction, in a timely manner, or at all; significant transaction costs or unknown liabilities; failure to realize the expected benefits of the Transaction; and general economic conditions. We believe these statements to be reasonable and pertinent at this time and represent our expectations. The Company does not intend to update any forward-looking statements, except as required by applicable law.

In addition certain non IFRS financial measures may be discussed or referred to today. These measures are for information purposes only. They do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public companies.

NOTICE TO U.S. HOLDERS

METRO is planning to file a registration statement on Form F-8 or F-80, which will include an Offering Circular and related Documents, with the United States Securities and Exchange Commission (“SEC”) in respect of shares of METRO to be offered or issued in the Transaction to US holders of Jean Coutu Group shares. INVESTORS AND SHAREHOLDERS ARE URGED TO READ SUCH REGISTRATION STATEMENT AND ALL OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC IN CONNECTION WITH THE OFFER AS THEY BECOME AVAILABLE, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THOSE DOCUMENTS, BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION. You will be able to obtain a free copy of such registration statement, as well as other related filings, at the SEC’s website (www.sec.gov).

NO OFFER OR SOLICITATION

This announcement is for informational purposes only and does not constitute an offer to purchase or a solicitation of an offer to sell the Jean Coutu Group shares or an offer to sell or a solicitation of an offer to buy METRO shares.

Strategic Context

Grocery



Pharmacy



Enhanced scale and scope in an evolving competitive landscape



Better positioned to capitalize on demographic and consumer trends impacting food, pharmacy, health and beauty



Expanded selection and convenience through an improved retail footprint



Strong cultural fit with a unique opportunity to leverage complementary strengths



A clear food and pharmacy retail leader in Québec

A Great Business with an Iconic Brand



- Franchise model with low capital intensity and high free cash flow conversion
- Highly productive network: \$12+ million sales per store; 250,000+ scripts per store; \$1,300+ sales per sq. ft.⁽¹⁾
- Irreplaceable real estate footprint with 419 stores

Ranked first overall for drugstore chains
by Canadian Business survey
Canada's Best Brands

Voted **favourite company of Millennials** in Québec by Leger
Marketing

Second in the annual survey of the
most admired companies in
Québec by Leger Marketing



Combined Platform: A New Retail Leader

metro

A Leader in Food in Québec and Ontario



Jean Coutu

#1 in Pharmacy in Québec



1,307 stores: **677** pharmacies and **630** food stores



\$15.9bn revenue⁽¹⁾, **\$1.3bn** EBITDA⁽¹⁾ and **\$0.5bn** free cash flow^(1, 2)



86,800 employees

metro  **JeanCoutu**

1. Presented on a LTM basis as of most recent quarterly filings.
2. Defined as cash from operations less capex. Assuming sale of ATD investment, transaction financing adjustments and realization of after-tax synergies.

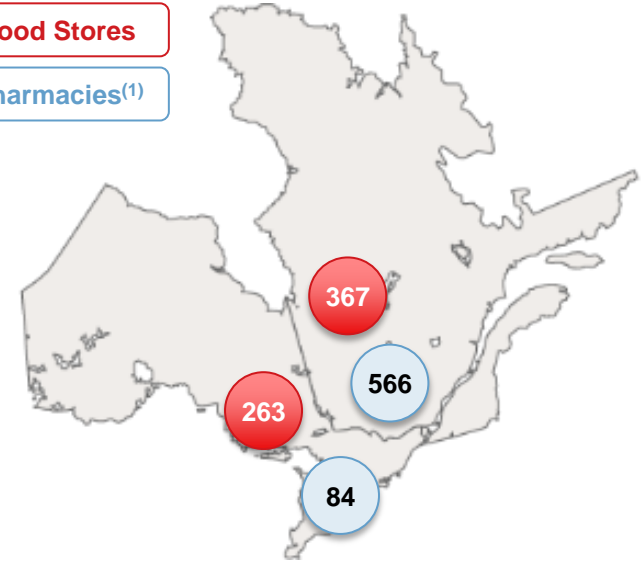
Compelling Strategic Rationale

Increased scale improving competitive positioning

- Combined platform well-positioned to capitalize on future expansion and growth opportunities
 - › Combined network of 630 food stores and 677 pharmacies
- Enhanced scale, reach and operational efficiency
- Better positioned for evolving competitive landscape

630 Food Stores

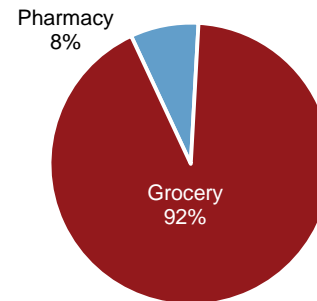
677 Pharmacies⁽¹⁾



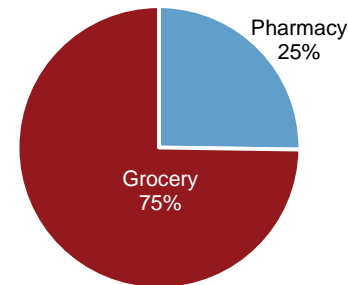
Improved diversification across grocery and pharmacy

- Combines two iconic brands
- Enhanced stability and improved business mix
- Opportunity to leverage complementary brands and strengths

Metro Revenue⁽²⁾



Pro Forma Revenue⁽²⁾



Compelling Strategic Rationale

Positioned to serve our customers in food, pharmacy, health and beauty

- Combination of leading banners will enhance product assortment and increase customer convenience
 - Best-in-class private label and exclusive brands
 - Excellent real estate and leading urban footprint
- Better insight into evolving customer needs
- Demographic trends driving increased demand for pharmacy-related products and services

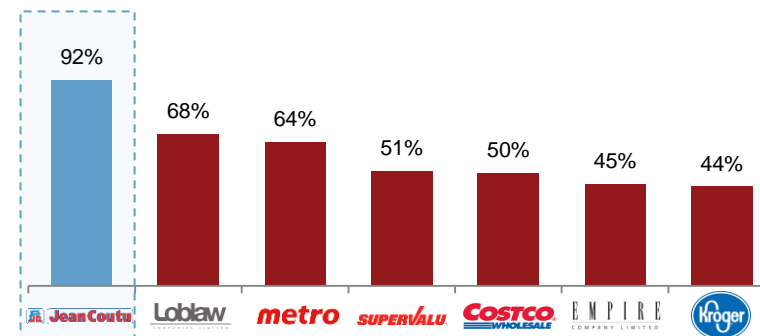
Enhanced earnings and cash flow

- Strong and stable pharmacy business with an attractive low-capex franchise model
- \$75 million annual run-rate cost synergies⁽²⁾
- Accretive to adjusted EPS⁽³⁾ and highly accretive to free cash flow per share

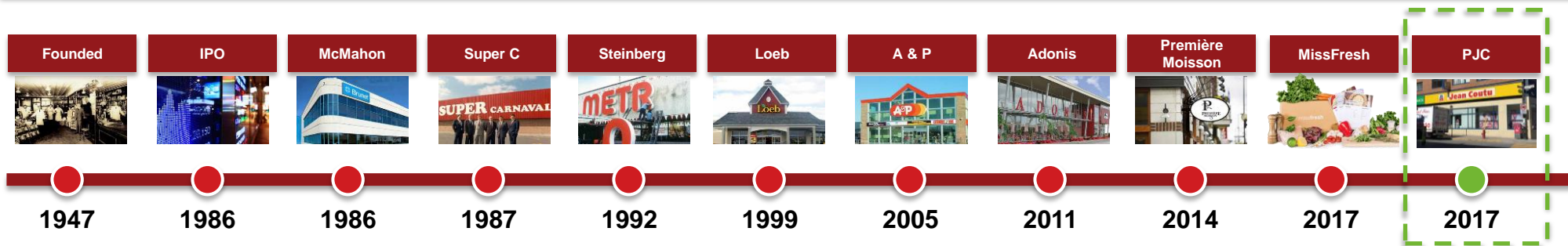
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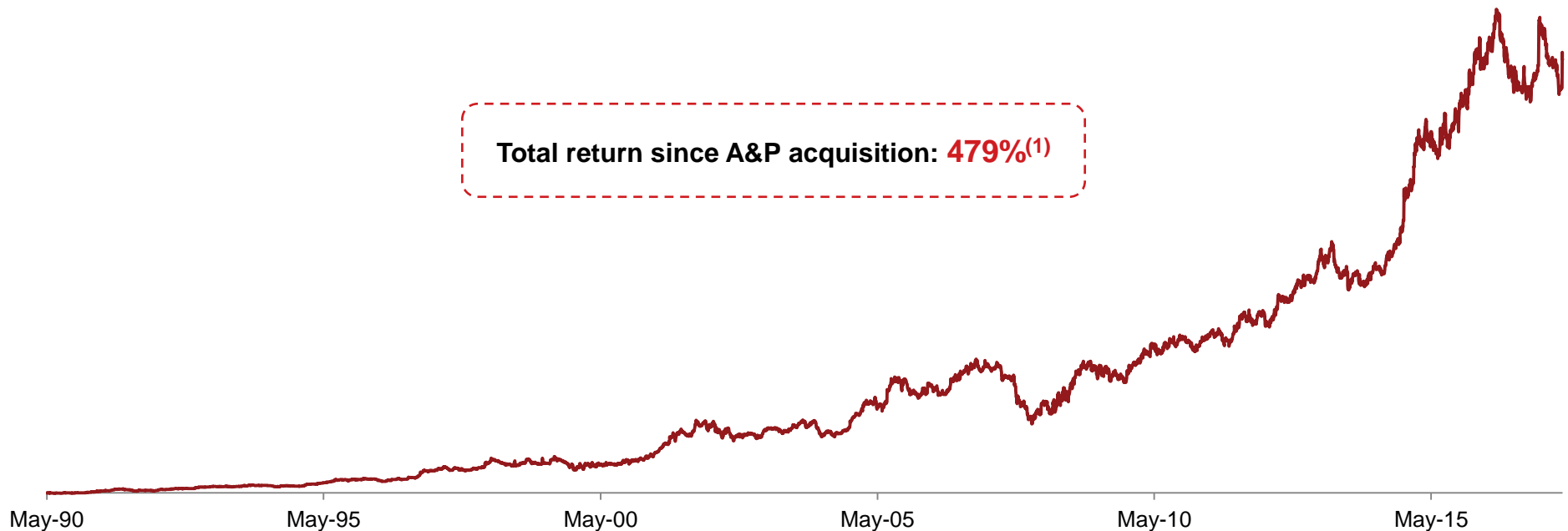
(EBITDA – Capex) / EBITDA⁽¹⁾



A Track Record of Growth and Shareholder Returns



Share Price Performance



Metro's share price has grown at a 20% CAGR since the 1990s

Financial Highlights

Financially Attractive Combination

metro



\$75 million annual run-rate cost synergies⁽¹⁾



Accretive to adjusted EPS⁽²⁾



Highly accretive to **free cash flow** per share



Prudent balance sheet and financing plan

Transaction Overview

Transaction / Consideration

- Acquisition of 100% of PJC's outstanding Class A and Class B shares for equity consideration of \$4.5 billion
 - › EV / LTM EBITDA of 14.0x and 11.3x adjusted for synergies
- PJC shareholders to receive, at their election:
 - i. \$24.50 in cash, or
 - ii. 0.61006 of a Metro common share
- Subject to proration such that 75% of the consideration will be in cash and 25% in Metro shares
- On a fully pro-rated basis, PJC shareholders will received \$18.38 in cash and 0.15251 of a Metro common share for each PJC share

Financing

- Committed financing in place for \$3.4 billion cash component
 - › \$1.1 billion of new Metro shares will be issued to existing PJC shareholders
- Flexibility to sell some or all of investment in Alimentation Couche-Tard over time to reduce leverage
- Metro expected to maintain its current BBB investment grade credit rating

Approvals

- Transaction unanimously approved by Board of Directors of both Metro and PJC
- Subject to the approval of 66^{2/3}% of votes cast by PJC shareholders, voting as a single class
- Coutu family has irrevocably committed to vote all of their Class A and Class B shares (representing a 93.2% aggregate voting interest) in favour of the transaction
- Regulatory approvals required

Timing

- Special meeting of PJC shareholders to occur in November 2017
- Transaction is expected to close in the first half of 2018

Financing Structure

- Financing structured to maintain current BBB investment grade credit rating
- \$3.4 billion of committed bank facilities fully underwritten
- Flexibility to sell some or all of Alimentation Couche-Tard investment over time
- Adjusted Net Debt / EBITDAR < 3.0x at closing⁽¹⁾
- \$0.6 billion of undrawn revolver and significant pro forma free cash flow generation

Sources

Committed Debt Financing	\$3.44 bn
Equity Issued to PJC Shareholders	1.13 bn
Total Sources	\$4.57 bn

Uses

Cash to PJC Shareholders	\$3.39 bn
Metro Equity to PJC Shareholders	1.13 bn
Purchase of PJC Equity	\$4.52 bn
Estimated Transaction Costs	0.06 bn
Total Uses	\$4.57 bn

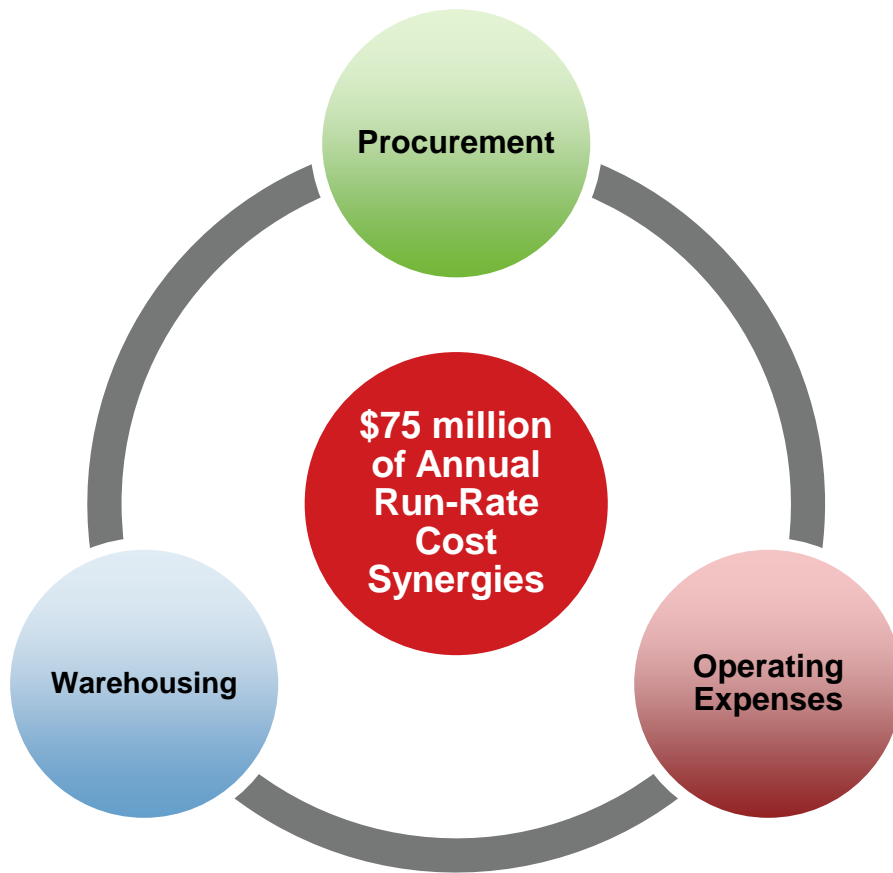
Pro Forma Ownership

Metro Shareholders	89%
Coutu Family ⁽²⁾	6%
Other PJC Shareholders	5%



Long-term leverage target remains 2.5x – highly achievable given the strong cash flow of the combined business

Significant Synergy Potential



Multiple Synergy Opportunities

Costs

Warehouse rationalization

Procurement

Operating and administrative expenses

Revenue *(Not included in synergy estimate)*

Cross-selling

- Food
- HABA
- Seasonal Merchandise
- Pro Doc




Annual run-rate cost synergies of \$75mm expected within 36 months of closing



Potential revenue synergies provide additional upside

Pro Forma Financial Summary

Pro Forma Financial Profile (C\$ millions)⁽¹⁾

	Metro	PJC	Adjustments	Pro Forma
Revenue	\$12,876	\$3,005	-	\$15,881
EBITDA	\$952	\$306	\$75 ⁽²⁾	\$1,333
Free Cash Flow ⁽³⁾	\$356	\$179	(\$5) ⁽⁴⁾	~\$530
Free Cash Flow Per Share	\$1.54			\$2.04



Highly accretive to free cash flow per share

Conclusion

Combination of two iconic brands to create a new retail leader

Positioned to better serve our customers and benefit from evolving trends in food, pharmacy, health and beauty

Strong platform for continued growth

Thank You. Q&A.
