WESTPEAK RESEARCH ASSOCIATION

METRO INC. (TSX: MRU)

Consumer Staples – Grocery and Pharmacy

Fueling Growth with Data and Pharmacy

January 24, 2025

METRO INC. (MRU) operates 983 food stores and 640 pharmacies across Québec and Ontario, employing over 97,000 people. With a 14% market share, Metro leverages automated distribution centers, a proprietary supply chain, and the MOÏ loyalty program in an attempt to differentiate itself.

Industry Overview

The Canadian grocery and pharmacy sector, valued at $111.9 billion in 2024, is projected to grow at a 1.7% CAGR to $122 billion by 2029, driven by population growth and rising demand for health-related products. Dominated by Metro, Loblaws, and Sobeys, the industry operates on thin margins (1.5%) with high barriers to entry, while innovations in automation and e-commerce are reshaping its future.

Thesis

The market is undervaluing the potential of Metro's MOÏ loyalty program and its ability to use customer data to create new revenue segments, optimize operations or improve customer experience. Additionally, the aging population and upcoming regulatory Bill 67 will benefit Metro's pharmaceutical operations.

Valuation

We recommend a buy on Metro Inc. at $91.63, with a target price of $111.40, representing a 22% upside. This is driven by the market underestimating the impact of the MOÏ program and the approval of Bill 67 in Québec. The target price was calculated using a 50/50 weighting of the perpetuity growth method and an EV/EBITDA exit multiple based off the mean of peers within the industry.

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Equity Research	Canada
Price Target	**CAD$ 111.40**
Rating	Buy
Share Price (Jan. 3 Close)	CAD$ 91.63
Total Return	22.0%

Key Statistics	
52 Week H/L	$94.86/$68.12
Market Capitalization	$20.5B
Average Daily Trading Volume	$483,067
Net Debt	$2,664.9M
Enterprise Value	$22.96B
Net Debt/EBITDA	1.34x
Diluted Shares Outstanding	222.12M
Dividend Yield	1.55%

Analyst Forecast

	2025E	2026E	2027E
Revenue	$22B	$22.9B	$24B
EBITDA	$2.12B	$2.34B	$2.58B
Net Income	$1.02B	$1.17B	$1.35B
EPS	$4.59	$5.29	$6.07
P/E	20.0x	17.3x	15.1x
EV/EBITDA	11.6x	11.12x	10.10x

1-Year Price Performance

Company Overview

METRO INC. (MRU) is a leader in the food and pharmacy sectors across Québec and Ontario. The corporation operates and services a network of 983 food stores and 640 pharmacies, each under various banners. In total, Metro employs over 97,000 people, both directly and indirectly.

Banners

Metro and Metro Plus Operate 328 supermarkets for consumers seeking a higher level of service and a greater variety of products.

Super C and Food Basics Operate 247 discount stores offering products at lower prices for consumers who are more cost conscious.

Adonis Operates 15 stores specializing in fresh products as well as Mediterranean and Middle Eastern products.

Première Moisson is Metro's banner specializing in premium-quality artisan bakery, pastry, and deli-products sold in the corporation's stores as well as directly to consumers in 23 of its own stores.

Jean Coutu, Brunet, Metro Pharmacy, Food Basics Pharmacy are all banners that contribute to Metro's presence in the pharmacy sector across Canada.

New Automated Distribution Centers

With a market share of 14% Metro differentiates itself through proprietary distribution networks, efficient automated centers, and a unique customer loyalty program. Recent investments in automated distribution centers in Terrebonne and Toronto further boost its operational efficiency and product freshness.

On November 8, 2023, Metro inaugurated its first automated distribution centre in Terrebonne Québec. This automated distribution centre allows for the efficient handling of fresh and frozen products, utilizing advanced automation technology from Witron, a company that specializes in automation technology, for logistics and distribution centers. The new automated storage and retrieval systems (AS/RS) and automated picking systems will allow for enhanced order accuracy and reduced handling time, thereby improving service quality to approximately 700 grocery stores. This is the first part of a near $1 billion investment to modernize its distribution network in both Quebec and Ontario. The 600,000-square-foot facility helps improve order accuracy and reduce handling time. The advanced infrastructure strengthens Metro's market position and supports future growth by increasing operational efficiency and resilience in its supply chain.

Industry Analysis

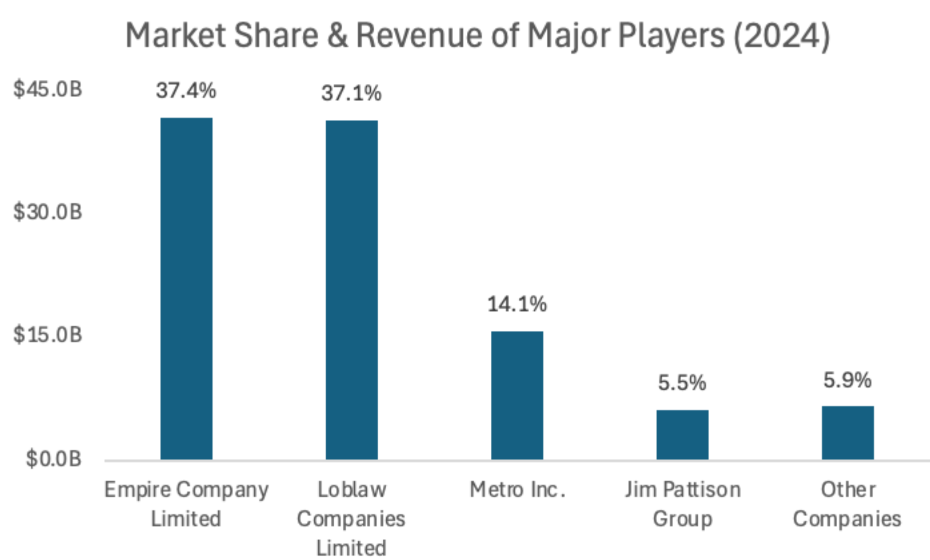
The Canadian grocery and pharmacy sector focuses on essential consumer goods and is highly competitive, with major players such as Metro, Loblaws, and Sobeys. Both food retailing and pharmacy goods have seen stable growth caused by essential consumer demand. Metro operates in this sector primarily in Ontario and Québec.

Market Size and Growth Trends

The Canadian food and pharmacy market is substantial, with annual revenues exceeding $110 billion. The industry revenue has been relatively stagnant with a CAGR 0.1% from 2019 to 2024. Revenue is expected to climb at a CAGR of 1.7% from 2024 to 2029 reaching $122 billion supported by population growth and a rising demand for health-related products. Grocery has seen more moderate growth rates driven by inflationary price increases whereas the pharmacy sector benefits from an aging population that demands for healthcare-related goods. Metro's recent financials have shown signs of this growth with a 9.7% increase in revenue from 2022 to 2023. This growth outpaces the industry's overall trajectory, indicating that Metro is gaining market share.

Competitive landscape

The grocery and pharmacy market is highly competitive with a few major players capturing significant portions of the market. Loblaws, Sobeys, and Metro collectively reported over $100 billion in sales in 2022 with a total of $3.6 billion in profits. Metro accounts for approximately $15.8 billion in revenue, representing a 14% market share. The industry's average profit margin is 1.5%, highlighting the importance of operational efficiency and cost control. The industry averages $254k reveneue per employee.



This concentration of few players makes it difficult for competition to enter the market. The dominant players not only operate thousands of stores and are ingrained in Canadian consumers' habits but also face the benefits of economies of scale making it difficult for new competition to enter the market. High start-up costs, economies of scale, and regulatory requirements create significant barriers for new entrants. Established players like Metro leverage these advantages to maintain dominance.

The competitive nature of this market underscores the importance to compete on strategic initiatives such as customer loyalty programs or automation of systems to gain a competitive edge.

Because there are few major players in the industry, the government is calling for increased competition in the industry to help drive down prices and increase accessibility for consumers.

Future Outlook

Automated facilities and advanced e-commerce platforms are likely to shape the future of the industry increasing efficiency and lowering costs. Investments in AI-powered inventory management, seamless omnichannel experiences, and digital delivery infrastructure are critical for maintaining competitiveness. Health-conscious and budget-conscious shopping trends are reshaping demand, and Metro's focus on offering plant-based and ethically sourced products aligns with evolving consumer priorities. Population growth and aging demographics continue to support long-term stability in demand, while the sector's sale of essential goods provides resilience against economic downturns.

Investment Theses

The Misunderstood Value of MOÏ Data Collection

The market is underestimating the long-term value creation potential of Metro's recently launched MOÏ loyalty program. While analysts have raised concerns about Metro's smaller scale compared to competitors like Loblaws and Sobeys, the early success of the MOÏ program indicates that these worries may be overstated. For instance, in Québec, 79% of Metro customers actively participate in the program, highlighting strong customer engagement as a foundation for growth.

Metro has the ability to harness the value of consumer data allowing it to make operational and strategic decisions. In an era of data-driven decision-making, the insights gained from MOÏ on customers' behaviours such as their purchasing patterns, product preferences and regional trends will be a vital asset. This level of granular data will not only allow Metro to optomize inventory management with extreme accuracy but also allows the ability to predict demand and streamline supply chains to a new level of accuracy. In addition, this creates opportunities for new revenue stream such as partnerships with CPG companies. Ultimatly, this will allow for reduced costs providing a competitive edge in the Canadian grocery market.

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Expansion of High-Margin Pharmacy Services

Canada's aging population will provide opportunities for Metro to strengthen its position in both the grocery and pharmaceutical segments. Currently, around 19% of Canada's population is aged 65 or older, and this figure is projected to rise to 23–25% by 2030. Longer life expectancy and decreased birth rates will likely further contribute to this demographic shift. This trend is particularly impactful for Metro's pharmacy business, as an older population drives increased demand for prescription medications and health products, which typically carry higher margins compared to grocery items. The aging demographic will increase demand for prescription drugs, tying perfectly with the regulatory changes such as Bill 67 in Québec deregulating pharmacists. Metro has outlined plans to expand its pharmacy operations through network growth, enhanced service offerings, and operational efficiencies, positioning itself to capitalize on these shifts. The market appears to underestimate the extent to which these changes will increase foot traffic, prescription volumes, and customer loyalty, ultimately boosting pharmacy profitability. The compounding impact of regulatory changes, along with the aging population tailwinds, particularly in Québec where Metro has a strong pharmaceutical presence through its Jean Coutu and Brunet banners, will be a key driver of growth.

Valuation

Discounted Cash Flow Assumptions

Revenue

Metro's revenue has seen a CAGR of 5.1% in the past four years. In 2024, its grocery business accounted for 78% of annual revenues, while pharmacy contributed the remaining 22%.

For the food segment, we project growth of 3.5–4.5% annually, driven by increased customer engagement and spending through the MOÏ loyalty program, which enhances personalization and promotional effectiveness, as well as stronger partnerships with CPG companies leading to improved product offerings and pricing strategies.

In the pharmacy segment, we expect higher growth of 6–8% annually, fueled by Canada's aging population but more importantly, Québec's Bill 67, which expands pharmacists' roles. Metro's Jean Coutu and Brunet banners are well-positioned to capture rising demand for prescriptions and health products, as deregulation is expected to occur within the next year, contributing to increased foot traffic and profitability.

Cost of goods sold

In the past four years, the company's COGS have averaged 80% of total revenue, resulting in stable gross margins. However, we predict gross margins to increase by approximately 2% annually over the forecast period as Metro implements AI-driven automation in its newly automated systems and improves inventory management efficiency through data insights from its MOÏ loyalty program. These advancements are expected to reduce costs associated with supply chain inefficiencies and inventory waste.

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Capital Expenditure

In the past few years, Metro's capital expenditures have averaged around 2–3% of revenue, reflecting its steady investment in store renovations, supply chain improvements, and technology upgrades. While notable projects such as the Terrebonne automated distribution center likely lead this to being a high amount of capital expenditure, we have opted for a conservative assumption of 2.3% of revenue for future projections.

Weighted Average Cost of Capital

The WACC is calculated at 8.1%, with a cost of equity of 8.7% derived using a risk-free rate of 4.4%, an expected market return of 10.4%, and a beta of 0.72. The cost of debt is 3.4%, based on a pre-tax cost of 4.6% and an effective tax rate of 25.5%.

Perpetuity growth rate

We assumed a 2.2% perpetuity growth rate for Metro, reflecting long-term inflation trends and population growth in Canada. As a consumer staple, Metro operates in a non-cyclical industry where demand for groceries remains consistent regardless of economic conditions, supporting steady and reliable growth over the long term.

Terminal Multiple

We used a 12x EV/EBITDA exit multiple, which represents the mean of Metro's comparables list based on 2025 expected EV/EBITDA multiples.

Catalysts

Monetization and Operational impact of MOÏ Data

The true value of the data collected from Metro's MOÏ loyalty program lies in the scalability and versatility. Metro will be capable of monetizing the large amounts of data collected from their newly released MOÏ loyalty program through new revenue streams, cost optimization, and increased customer loyalty. Firstly, Metro could partner with Consumer Packaged Goods (CPG) companies to provide them insights into consumer behaviours. Alternatively, Metro will be capable of cutting costs through optimized inventory and supply chain operations. Lastly, the program will be capable of personalizing customer experiences, such as tailored coupons and promotions increasing customer loyalty and retention rates. As these data-driven efficiencies and monetization opportunity materialize over the next 1-3 years, Metro's earnings have great potential to exceed current expectations.

Bill 67: Expanding Pharmacists' Powers of Prescription and Treatment in Québec

Bill 67 is a direct catalyst for Metro's pharmacy business growth by expanding pharmacists' responsibilities to include prescribing for common conditions, administering vaccines, and providing clinical consultations. This legislation will allow metro's Jean Coutu and Brunet banners to offer new, higher margin services. With 525 locations in Québec, Metro is well positioned to quickly capitalize on this regulatory shift. The full implementation of bill 67 is expected to happen in 2025 providing a near term revenue boost with long lasting effects.

Risks

Government Regulations on Food Pricing

There has been increased scrutiny from the government toward grocery retailers as the public grows concerned about rising food costs. Potential regulations aimed at curbing inflationary pressures or enhancing transparency could put further pressure on Metro to limit food price increases. Given the grocery industry's notoriously slim margins, Metro already operates with little room to absorb rising operational costs. If these regulations materialize, Metro may struggle to pass on the increasing costs to its customers, further compressing its already thin margins and negatively impacting profitability as operational expenses continue to climb.

Competitive Pressure in a Saturated Market

Metro operates in an oligopolistic competitive market dominated by Loblaws and Empire. In such a market, competitive dynamics pose direct risks on each player's actions. If Loblaws found a way to aggressively lower prices Metro may be forced to follow suit, potentially compressing its margins. This risk is even more prominent where Metro's geographical location being predominantly Ontario and Québec where competition is particularly fierce. In a market where many goods are similar, competitors have been investing heavily in private-label product lines, advanced supply chains, and tech-enabled shopping experiences. If Metro fails to match these innovations it risks losing market share and revenue growth, undermining its operating performance and investor confidence.

Recommendation - Buy

We recommend a buy on Metro Inc. at $91.63 representing an implied upside of 22%. We expect the implementation of MOÏ to be more significant than the market believes and that the approval of Bill 67 in Québec to have waterfall effects on Metro's operations.

The target price of $111.40 was calculated using a 50% weighting on the perpetuity growth method and 50% on an EV/EBITDA exit multiple. The 12x multiple was selected based on the estimated 2025 EV/EBITDA mean of comparable companies, as it is the furthest-out multiple we could reasonably estimate, ensuring alignment with industry valuations.

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Appendix 1: Income Statement

Income Statement	2021	2022	2023	2024	2025	2026	2027	2028	2029
Food				16,580	17,077	17,675	18,338	19,071	19,644
Pharmacy				4,640	4,918	5,263	5,657	6,053	6,477
Total Revenue	**18,283**	**18,889**	**20,725**	**21,220**	**21,996**	**22,938**	**23,995**	**25,125**	**26,121**
Cost of Goods Sold	14,628	15,106	16,642	17,041	17,663	18,329	19,078	19,873	20,552
Gross Profit	**3,655**	**3,783**	**4,082**	**4,179**	**4,333**	**4,609**	**4,917**	**5,252**	**5,569**
Depreciation and Amortization	478	503	525	570	570	570	570	570	570
Operating Expenses	1,934	1,964	2,114	2,193	2,210	2,270	2,339	2,412	2,470
Operating Profit (EBIT)	**1,243**	**1,316**	**1,443**	**1,416**	**1,553**	**1,768**	**2,008**	**2,269**	**2,529**
Interest	129	117	126	152	197	264	281	297	314
Taxes	295	304	303	318	396	451	512	579	645
Minority Interest in Earnings	3	3	4	3	3	3	3	3	3
Unusual Items	(7)	45	(4)	14	12	12	12	12	12
Net Income	**823**	**846**	**1,015**	**929**	**960**	**1,054**	**1,215**	**1,393**	**1,570**
Earnings Per Share	3.71	3.81	4.57	4.19	4.32	4.75	5.47	6.28	7.07

Appendix 2: Balance Sheet

Balance Sheet	2021	2022	2023	2024	2025	2026	2027	2028	2029
Assets									
Cash And Equivalents	445.8	13.4	29.5	29.4	78.5	152.1	345.5	594.3	949.4
Accounts Receivable	772	775.1	824.4	845.8	876.7	914.3	956.4	1,001.4	1,041.1
Other Receivables	33.4	9.6	32.8	17.3	17.3	17.3	17.3	17.3	17.3
Inventory	1169	1331.1	1451	1508.3	1,563.4	1,622.4	1,688.6	1,759.0	1,819.1
Prepaid Exp.	46.6	54.1	65.9	73.2	73.2	73.2	73.2	73.2	73.2
Total Current Assets	2,467	2,183	2,404	2,474	2,609	2,779	3,081	3,445	3,900
Net Property, Plant & Equipment	4194.5	4452.8	4711.1	4905.2	5,079	5,263	5,458	5,666	5,883
Goodwill	3301.2	3301.2	3307.4	3314.2	3,314	3,314	3,314	3,314	3,314
Other Intangibles	2854.7	2739	2733	2698.9	2,915	3,148	3,400	3,672	3,966
Accounts Receivable Long-Term	549.6	478.3	426.5	404.7	419	437	458	479	498
Deferred Tax Assets, LT	57.1	44.8	37.9	35.9	36	36	36	36	36
Other Long-Term Assets	168.2	201.9	245.8	307.7	319	333	348	364	379
Total Assets	13,592	13,401	13,865	14,141	14,692	15,310	16,095	16,977	17,976
Liabilities									
Accounts Payable	1,546	1,576	1,619	1,646	1,706	1,770	1,843	1,919	1,985
Short Term Debt	319	18	19	581	234	234	234	234	234
Taxes Payable	26	44	7	7	9	10	11	13	14
Other Current Liabilities	307	315	315	52	281	293	306	321	334
Current Liabilities	2,198	1,952	1,960	2,286	2,230	2,307	2,394	2,487	2,567
Long-Term Debt	2318.2	2339.9	2659.1	2358.4	3,586	4,876	5,211	5,527	5,851
Long-Term Leases	1657.5	1502.7	1380.3	1372.6	1,423	1,484	1,552	1,625	1,690
Unearned Revenue, Non-Current	-	2.8	3						
Pension & Other Post-Retire. Benefits	61.5	30	29.4	37.5	38	38	38	38	38
Def. Tax Liability, Non-Curr.	927.7	942.2	1001.6	1042.2	1,084	1,127	1,172	1,219	1,268
Other Non-Current Liabilities	16.2	12.8	14.8	5.4	5	5	5	5	5
Total Liabilities	7,179	6,783	7,049	7,102	8,365	9,837	10,373	10,901	11,418
Shareholders Equity									
Common Stock	1,674	1,649	1,601	1,576	2,285	1,447	1,582	1,700	1,833
Additional Paid In Capital	24	23	24	26	26	26	26	26	26
Retained Earnings	4,722	4,947	5,196	5,441	4,018	4,003	4,117	4,352	4,701
Treasury Stock	(21)	(16)	(18)	(20)	(20)	(20)	(20)	(20)	(20)
Comprehensive Inc. and Other	-	1	(1)	(1)	-	-	-	-	-
Total Common Equity	6,400	6,605	6,801	7,022	6,309	5,456	5,704	6,058	6,540
Minority Interest	13	14	15	17	17	17	17	17	17
Total Equity	6,413	6,618	6,816	7,039	6,326	5,473	5,722	6,075	6,557

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Appendix 3: Cash Flow Statement

Cash Flow Statement	2021	2022	2023	2024	2025	2026	2027	2028	2029
Cash from Operating Activities									
Net income	823	846	1,015	929	960	1,054	1,215	1,393	1,570
Depreciation and Amortization	400	421	439	478	570	570	570	570	570
Amortization of Goodwill and Intangibles	59	58	59	61	61	61	61	61	61
Other Amortization	21	25	28	33	33	33	33	33	33
(Gain) Loss From Sale Of Assets	(7)	(25)	(4)	(7)	-	-	-	-	-
Asset Writedown & Restructuring Costs	-	70	-	21					
Stock-Based Compensation	11	9	12	13	14	14	15	16	16
Other Operating Activities	115	172	140	207	158	158	158	158	158
Change in Other Net Operating Assets	162	(115)	(126)	(54)	-	-	-	-	-
CFO	**1,584**	**1,462**	**1,564**	**1,680**	**1,796**	**1,891**	**2,053**	**2,232**	**2,409**
Cash from Investing Activities									
Capital Expenditures	(469)	(497)	(581)	(482)	(500)	(521)	(545)	(571)	(594)
Sale of Property, Plant, and Equipment	22	22	1	1	-	-	-	-	-
Cash Acquisitions	(1)	(0)	(1)	-					
Sale (Purchase) of Real Estate properties	(51)	(26)	(17)	(17)	(19)	(15)	(15)	(15)	(15)
Sale (Purchase) of Intangible assets	(79)	(98)	(83)	(81)	(84)	(86)	(89)	(93)	(96)
Invest. in Marketable & Equity Securt.	-	-	-	13					
Other Investing Activities	106	122	108	109	109	109	109	109	109
CFI	**(472)**	**(478)**	**(573)**	**(456)**	**(493)**	**(514)**	**(541)**	**(570)**	**(595)**
Cash from Financing Activities									
Long-Term Debt Issued	22	331	501	328	328	328	328	328	328
Long-Term Debt Repaid	(285)	(885)	(457)	(604)	(604)	(604)	(604)	(604)	(604)
Issuance of Common Stock	13	21	8	19	-	-	-	-	-
Repurchase of Common Stock	(456)	(470)	(594)	(486)	(495)	(505)	(515)	(526)	(536)
Common Dividends Paid	(240)	(258)	(275)	(295)	(325)	(336)	(369)	(425)	(488)
Other Financing Activities	(160)	(155)	(158)	(186)	(158)	(186)	(158)	(186)	(158)
CFF	**(1,107)**	**(1,416)**	**(975)**	**(1,224)**	**(1,255)**	**(1,303)**	**(1,319)**	**(1,413)**	**(1,458)**
Total Cash Flow	**5**	**(432)**	**16**	**0**	**48**	**74**	**193**	**249**	**355**
Starting Cash Balance	441.5	446.4	14	31	31	78	152	346	594
Ending Cash Balance	**446**	**14.3**	**31**	**31**	**78**	**152**	**346**	**594**	**949**

Appendix 4: Schedules

Schedules	2021	2022	2023	2024	2025	2026	2027	2028	2029
Property, Plant & Equipment									
Starting Property, Plant & Equipment	4,011	4,195	4,453	4,711	4,905	5,079	5,263	5,458	5,666
Capex	469	497	581	482	500	521	545	571	594
Depreciation	241	260	278	313	326	338	350	363	377
Other adjustments	(45)	21	(45)	25	-	-	-	-	-
Ending Property, Plant & Equipment	**4,195**	**4,453**	**4,711**	**4,905**	**5,079**	**5,263**	**5,458**	**5,666**	**5,883**
Retained Earnings									
Starting Retained Earnings	4,431	4,371	4,279	4,215	4,117	4,018	4,003	4,117	4,352
Net Income	823	846	1,015	929	960	1,054	1,215	1,393	1,570
Dividends	240	258	275	295	325	336	369	425	488
Other comprehensive income	(644)	(680)	(804)	(733)	(733)	(733)	(733)	(733)	(733)
Ending Retained Earnings	**4,371**	**4,279**	**4,215**	**4,117**	**4,018**	**4,003**	**4,117**	**4,352**	**4,701**
Working Capital Balances									
Accounts receivable, net	772.0	775.1	824.4	845.8	876.72	914.27	956.42	1,001.44	1,041.14
Inventories	1169	1331.1	1451	1508.3	1,563.41	1,622.36	1,688.63	1,759.00	1,819.06
Prepaid expenses and other current assets	46.6	54.1	65.9	73.2	75.88	79.13	82.77	86.67	90.11
Total non-cash current assets	**1,988**	**2,160**	**2,341**	**2,427**	**2,516.01**	**2,615.76**	**2,727.82**	**2,847.11**	**2,950.30**
Accounts payable	1,546	1,576	1,619	1,646	1,706	1,770	1,843	1,919	1,985
Net Working Capital	441.50	584.50	721.90	781.40	809.97	845.39	885.14	927.64	965.29
Change in NWC		143.00	137.40	59.50	28.57	35.42	39.75	42.50	37.65
Drivers									
Revenue per day	50.09	51.75	56.78	58.14	60.26	62.84	65.74	68.84	71.56
Days sales outstanding (DSO)	15	15	15	15	15	15	15	15	15
Inventory Turns	12.5	11.3	11.5	11.3	11.3	11.3	11.3	11.3	11.3
Prepaid exp. as % of revenue	0.25%	0.29%	0.32%	0.34%	0.34%	0.34%	0.34%	0.34%	0.34%
Days payables outstanding (DPO)	39	38	36	35	35	35	35	35	35
Dyas sales outstanding as % of revenue	0	0	0	0					
LTAR as % of revenue	3.0%	2.5%	2.1%	1.9%					
LT DSO	11	9	8	7	7	7	7	7	7
Other long term assets as % of revenue	0.9%	1.1%	1.2%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
External Financing Needed					1,851	3,773	4,126	4,435	4,781

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Appendix 5: DCF Analysis

Discounted Cash Flow Analysis

Discount Rate Calculation

All Figures in mm CAD

Cost of Equity	
Risk-free Rate	4.4%
Expected Market Return	10.4%
Market Risk Premium	**6.0%**
Unlevered Beta	0.7x
Levered Beta	0.720x
Cost of Equity	**8.7%**

Cost of Debt	
Pre-tax Cost of Debt	4.6%
Effective Tax Rate	25.5%
Cost of Debt	**3.4%**

WACC	
Market Value of Equity	20,064
Market Value of Debt	2,674
Total Capitalization	**22,738**
Cost of Equity	8.7%
Cost of Debt	3.4%
WACC	**8.1%**

Free Cash Flow

	31-Dec-25	*31-Dec-26*	*31-Dec-27*	*31-Dec-28*	*31-Dec-29*
All Figures in mm CAD	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
EBITDA	**2,123**	**2,339**	**2,579**	**2,840**	**3,099**
EBIT	**1,553**	**1,768**	**2,008**	**2,269**	**2,529**
Less: Tax Expense	(396)	(451)	(512)	(579)	(645)
Add: Depreciation and Amortization	570	570	570	570	570
Less: Capital Expenditures	(500)	(521)	(545)	(571)	(594)
Less: Change in Net Working Capital	(29)	(35)	(40)	(42)	(38)
Unlevered Free Cash Flow	**1,198**	**1,331**	**1,481**	**1,647**	**1,823**
Discount Factor	0.92	0.84	0.78	0.71	0.66
Present Value of Unlevered Free Cash Flow	**1,101**	**1,124**	**1,150**	**1,175**	**1,195**

Valuation

Perpetuity Growth Rate	
Perpetuity Growth Rate	2.2%
PV Sum of UFCF	5,746
Terminal Value	20,278
Enterprise Value	**26,024**
Add: Cash	29
Less: Debt	2,674
Less: Other EV Adjustments	171
Equity Value	**23,208**
Shares Outstanding	222
Implied Share Price	**104.54**
Current Share Price	91.63
Total Return	**14.1%**

Exit Multiple Method	
Exit Multiple	12.0x
PV Sum of UFCF	5,746
Terminal Value	24,386
Enterprise Value	**30,132**
Add: Cash	29
Less: Debt	2,674
Less: Other EV Adjustments	171
Equity Value	**27,316**
Shares Outstanding	231
Implied Share Price	**118.25**
Current Share Price	91.63
Total Return	**29.1%**

All Figures in mm CAD

50% Perpetuity, 50% Exit Multiple	
Implied Share Price	$ 111.40
Total Return	22%

Perpetuity Growth Rate	WACC 9.1%	8.6%	8.1%	7.6%	7.1%
3.2%	$98.84	$109.90	$123.20	$139.52	$160.01
2.7%	$92.07	$101.66	$113.01	$126.66	$143.40
2.2%	$86.29	$94.71	**$104.54**	$116.18	$130.19
1.7%	$81.29	$88.77	$97.40	$107.49	$119.43
1.2%	$76.93	$83.63	$91.29	$100.15	$110.49

Exit Multiple (EV / EBITDA)	WACC 9.1%	8.6%	8.1%	7.6%	7.1%
13.0x	$120.15	$123.56	$127.05	$130.61	$134.24
12.5x	$115.99	$119.28	$122.65	$126.09	$129.60
12.0x	$111.82	$115.00	**$118.25**	$121.57	$124.96
11.5x	$107.66	$110.72	$113.85	$117.05	$120.31
11.0x	$103.49	$106.44	$109.46	$112.53	$115.67

Appendix 6: Comps Analysis

Comparable Company Analysis

All Figures in mm CAD

Company	Ticker	Equity Value	Enterprise Value	EV / EBITDA Multiples 2023A EV/EBITDA	2024A EV/EBITDA	2025E EV/EBITDA	P/E Multipls 2023A P/E	2024E P/E	2025E P/E
Empire Company Limited	(TSX: EMP.A	10,337	17,701	10.7x	10.3x	7.3x	16.6x	15.0x	14.8x
Loblaw Companies Limitec	(TSX: L)	55,740	73,371	14.6x	10.6x	10.1x	28.3x	21.5x	19.5x
Saputo Inc.	(TSX: SAP)	10,261	13,747	9.7x	10.0x	8.6x	16.4x	38.5x	15.1x
Alimentation Couche-Tard	(TSX: ATD)	74,096	91,710	12.3x	12.6x	10.4x	17.7x	19.2x	18.4x
Dollarama Inc.	(TSX: DOL)	38,770	43,133	34.8x	28.3x	20.9x	50.5x	39.1x	34.3x
Casey's General Stores, Inc	(NasdaqGS:	20,933	24,334	18.2x	15.9x	14.2x	32.8x	29.1x	27.6x
Metro Inc	**(TSX: MRU)**	**20,071**	**24,372**	**13.7x**	**13.6x**	**11.6x**	**20.8x**	**22.0x**	**19.1x**
High		74,096	91,710	34.8x	28.3x	20.9x	50.5x	39.1x	34.3x
75th Percentile		60,329	77,956	22.3x	19.0x	15.9x	37.2x	38.6x	29.3x
Median		**29,852**	**33,733**	**13.5x**	**11.6x**	**10.3x**	**23.0x**	**25.3x**	**19.0x**
Mean		**35,023**	**43,999**	**16.7x**	**14.6x**	**11.9x**	**27.0x**	**27.1x**	**21.6x**
25th Percentile		60,329	77,956	22.3x	19.0x	15.9x	37.2x	38.6x	29.3x
Low		10,261	13,747	9.7x	10.0x	7.3x	16.4x	15.0x	14.8x

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