

# Loblaw and Metro report higher sales, quarterly profit as they face scrutiny over food price inflation

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People shop inside a Metro grocery store in Toronto, on July 18.

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Two of Canada's largest grocers, Loblaw Cos Ltd. [L-T \(/investing/markets/stocks/L-T/\)](/investing/markets/stocks/L-T/) -0.34% ▼ and Metro Inc. [MRU-T \(/investing/markets/stocks/MRU-T/\)](/investing/markets/stocks/MRU-T/) -0.07% ▼ , both reported quarterly sales and profit increases on Wednesday, while pushing back against criticism that retailers are not doing enough to fight food inflation.

Executives from both retailers said they are negotiating with suppliers who continue to ask for further price increases on their products. Substantial price hikes over the past two years have severely affected household budgets, causing customers to change their shopping habits. Brampton, Ont.-based Loblaw and Montreal-based Metro both benefited from that trend, as customers flocked to their discount grocery banners, looking for some relief.

“Overall affordability remains a pressing issue on Canadians’ minds, and lower food prices remain a top priority for us throughout the business – from our stores, to our supply chain, to our suppliers,” Loblaw board chairman Galen Weston said during his final conference call with analyst to discuss the company’s financial results.

Mr. Weston stepped back from day-to-day operations of the grocery giant on Nov. 1 when European retail executive [Per Bank](#) stepped into the role of president and chief executive officer. Mr. Weston repeated his assertion that grocers are not to blame for high food prices. He added on Wednesday that retailers “are unable to resolve inflationary pressures on our own.”

Loblaw chief financial officer Richard Dufresne expressed concern about “the level of commitment” among suppliers to keep food prices low, adding that while supplier cost-increase requests are slowing, “they could be slowing way more,” especially among larger suppliers.

**[The long, slow return to normal for food inflation in Canada](#)**

**[This grocery calculator will help you spot ways to squeeze inflation out of your food bill](#)**

On a separate call, Metro executives also said those requests continue to come in. CEO Eric La Flèche said Metro's teams are negotiating with suppliers, and he expects food inflation will continue to be more moderate in the coming months.

The two grocers have been going head-to-head to compete for price-sensitive shoppers, particularly in Quebec, where Loblaw has converted a number of Provigo stores to the discount Maxi banner that competes with Metro's Super C chain.

Loblaw opened 23 discount stores this year, and expects to convert 30 more stores to discount formats and open more than a dozen net new discount stores in the year ahead.

Loblaw reported \$18.3-billion in revenue for its third quarter ended Oct. 7, up 5 per cent compared with the same period last year. Metro's revenue was \$5.1-billion for the fourth quarter of its fiscal 2023, ended Sept. 30. Those results included an extra week in its fiscal year; excluding the impact of that added week, revenue grew by 5.4 per cent.

Grocery retailers have been under intense scrutiny over food inflation. Growth in grocery prices slowed in September, when prices were up by 5.8 per cent on an annual basis. That was more moderate than the 6.9-per-cent inflation number in August and significantly down from peak levels of more than 11 per cent. But that slower growth still leaves shoppers contending with food prices that are significantly higher than they were just a couple of years ago.

On Wednesday, Loblaw and Metro both said their internal measurements showed food inflation at their stores was lower than the food price growth tracked by Statistics Canada's Consumer Price Index.

Metro said its internal food basket inflation was roughly 5.5 per cent in its fiscal fourth quarter. That was down from 8-per-cent inflation in the prior quarter. The company's internal measurement is based on prices for a basket of goods frequently purchased at its stores and is not directly comparable with the CPI. During

Loblaw's third quarter, CPI food price inflation averaged out at 7.1 per cent, and the company said its price increases were lower, but did not report the internal number.

Last month, the federal government announced that grocery chains promised to offer discounts and price matching in a bid to "stabilize" prices, though some critics say the plan mostly included strategies the sector already employs, such as offering discounts and price matching.

Loblaw, Canada's largest grocer, reported that its net earnings available to common shareholders grew to \$621-million, or \$1.95 per share, in its third quarter, compared with \$556-million, or \$1.69 per share, in the same period last year.

### **Food inflation, summed up in one picture**

Metro's net earnings grew to \$228.8-million, or 99 cents per share, in its fourth quarter, compared with \$219.4-million, or 92 cents per share, in the same period the prior year. That number adjusted for the extra week in fiscal 2023, and removed the impact of a \$44.1-million loss on impairment that the company recorded in the same period last year, related to the Air Miles loyalty program. (The company's Jean Coutu drugstores have since withdrawn from the program, as Metro launched an in-house loyalty program called Moi.)

But Metro executives also said the year ahead will include "significant headwinds" in its financial results, as the company invests heavily on improving its supply chain – including transitioning to new automated distribution centres. Metro usually does not provide such forecasts, but predicted adjusted net earnings per share in the year ahead to be in the range of flat-to-down by 10 cents per share.

On Wednesday's call, Mr. La Flèche said the fiscal year ahead will be a "transition year" for Metro. "Post-fiscal '24, we'll be back on our growth path," he said.



Wednesday's fourth-quarter report also provided some insight into the cost of a five-week strike this summer, which shuttered 27 of Metro's stores in Ontario. Metro estimated the strike cost the company \$36.3-million in lost profits and added costs.

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