The Jean Coutu Group (PJC) Inc.

Trades under the symbol (TSX): PJC.A

Press release
For immediate release

THE JEAN COUTU GROUP – FIRST QUARTER OF FISCAL YEAR 2018 RESULTS

Varennes, Québec, July 11, 2017 - The Jean Coutu Group (PJC) Inc. (the "Corporation" or the "Jean Coutu Group") reported today its financial results for the quarter ended June 3, 2017.

SUMMARY OF RESULTS

(Unaudited, in millions of Canadian dollars, except per share amounts)

	Q1 – 2018	Q1 - 2017
	$	$
Revenues	**750.4**	723.6
Operating income before amortization ("OIBA")	**71.5**	77.0
Net profit	**45.5**	49.0
Per share	**0.25**	0.27

Highlights

- Revenues increased by 3.7% to $750.4 million for the first quarter of fiscal year 2018 compared with the same quarter last year.
- Net profit per share amounted to $0.25 for the first quarter of fiscal year 2018, compared with $0.27 per share for the first quarter of previous fiscal year.
- Pro Doc's contribution to the consolidated OIBA decreased by $15.1 million, following the removal of the ceiling on professional allowances allowed, compared with the same quarter last year.

Financial results

“During the first quarter, we continued to implement our business plan efficiently, which resulted in a significant increase in retail sales despite an ongoing competitive environment," stated President and Chief Executive Officer, Mr. François J. Coutu. "The development of dynamic initiatives will continue to be our priority over the next few quarters in order to contribute to the increase of retail sales and thus continue our growth and maintain our leadership”

Revenues

Revenues consist mainly of sales and other revenues derived from franchising activities. Merchandise sales to PJC franchisees made mostly through our distribution centers account for the greater part of our revenues.

Revenues amounted to $750.4 million for the quarter ended June 3, 2017, compared with $723.6 million for the quarter ended May 28, 2016. This increase is attributable to the overall market growth despite the deflationary impact on revenues of the volume increase in prescriptions of generic drugs compared with brand name drugs as well as the price reductions of generic drugs.

OIBA

OIBA decreased by $5.5 million to $71.5 million for the quarter ended June 3, 2017, compared with $77.0 million for the quarter ended May 28, 2016. This decrease is mainly due to the lower contribution of Pro Doc to the OIBA.

OIBA as a percentage of revenues ended the first quarter of fiscal year 2018 at 9.5% compared with 10.6% for the same quarter of the previous fiscal year.

Pro Doc

Gross sales of Pro Doc drugs amounted to $50.1 million for the quarter ended June 3, 2017, compared with $51.5 million for the quarter ended May 28, 2016. Pro Doc's contribution to the consolidated OIBA amounted to $6.2 million for the quarter ended June 3, 2017, compared with $21.3 million for the quarter ended May 28, 2016. This decrease is mainly attributable to the removal of the ceiling on professional allowances allowed by the regulation on benefits authorized to a pharmacist since January 28, 2017. Pro Doc's contribution to the consolidated OIBA as a percentage of gross sales ended the first quarter of fiscal year 2018 at 12.4% compared with 41.4% for the same period of the previous fiscal year.

Net profit

Net profit amounted to $45.5 million ($0.25 per share) for the quarter ended June 3, 2017, compared with $49.0 million ($0.27 per share) for the quarter ended May 28, 2016. This decrease is mainly due to the decrease of Pro Doc's contribution to the net profit.

Information on the PJC network of franchised stores

The Corporation carries on the franchising activity under the banners of PJC Jean Coutu, PJC Jean Coutu Santé and PJC Jean Coutu Santé Beauté, operates two distribution centers and coordinates several other services for the benefit of its franchisees.

For the quarter ended June 3, 2017, on a same-store basis, the PJC network's retail sales increased by 6.8%, pharmacy sales increased by 10.1% and front-end sales increased by 1.4%, compared with the corresponding period last year. Sales of non-prescription drugs, which represented 8.5% of total retail sales, increased by 2.2% compared with 3.9% for the corresponding period of fiscal year 2017.

Generic drugs reached 71.6% of prescriptions during the first quarter of fiscal year 2018 compared with 70.7% of prescriptions for the comparable period of the previous fiscal year. The increase in the number of generic drugs prescriptions with lower selling prices than brand name drugs had a deflationary impact on the pharmacy’s retail sales.

For the first quarter of fiscal year 2018, the introduction of new generic drugs reduced pharmacy’s retail sales growth by 0.6% and price reductions of generic drugs reduced retail sales growth by an additional 0.5%. Furthermore, the reversal of liabilities related to the periodical withdrawals abolished by the Ministry of Health and Social Services ("MSSS") on April 12, 2017, increased the retail sales of the pharmaceutical section by 5.7% during the first quarter of fiscal year 2018.

Network performance [1] *(unaudited)*	**Q1 – 2018**	Q1 - 2017
Retail sales *(in millions of dollars)*	**$1,154.3**	$1,078.9
Retail sales growth *(in percentage)*		
Total stores		
Total	**7.0%**	1.5%
Pharmacy	**10.0%**	0.8%
Front-end [2]	**1.9%**	3.0%
Same store		
Total	**6.8%**	1.1%
Pharmacy	**10.1%**	0.5%
Front-end [2]	**1.4%**	2.3%
Prescriptions growth *(in percentage)*		
Total stores	**3.0%**	4.0%
Same store	**3.0%**	3.8%

(1) Franchised outlets' retail sales are not included in the Corporation's consolidated financial statements.

(2) Front-end retail sales exclude sales of services which are included in the total retail sales growth.

PJC network of franchised stores expansion

During the first quarter of fiscal year 2018, there were 3 store openings in the PJC network of franchised stores, including 2 relocations.

As at June 3, 2017, total selling square footage of the PJC network amounted to 3,301,000 square feet compared with 3,254,000 square feet as at May 28, 2016.

Dividend

The Board of the Jean Coutu Group declared a quarterly dividend of $0.13 per share. This dividend will be paid on August 11, 2017, to all holders of Class "A" Subordinate Voting Shares and holders of Class "B" Shares listed in the Corporation's shareholder ledger as at July 28, 2017.

Regulatory changes

On June 10, 2016, the Québec National Assembly adopted the proposed Bill 81 *An act to reduce the cost of certain medications covered by the basic prescription drug insurance plan by allowing calls for tender* allowing the Minister of Health and Social Services to issue a call for tenders to add drugs to the Drugs List as well as, in relation to drugs having been the object of such a call for tenders, for the services of a wholesaler to supply the pharmacist owners. The regulation to determine the conditions and applicable mechanisms to any call for tenders was published in the *"Gazette officielle du Québec"* on April 5, 2017. This regulation has been in effect since April 20, 2017. No calls for tender were initiated as of yet.

The Bill 92 entitled «An Act to extend the powers of the Régie de l'assurance maladie du Québec, regulate commercial practices relating to prescription drugs and protect access to voluntary termination of pregnancy services» is assented by the National Assembly of Quebec since December 7, 2016. Some of its provisions seek to constrict commercial practices of all stakeholders regarding the commercialization of medication to strengthen the professional independence of the pharmacist, the freedom of choice of the patient and encourage more competitive conditions on the market. Other provisions of the Bill requiring detailed billing for medication will come into force on September 15, 2017.

On April 12, 2017, the members of the "*Association Québécoise des pharmaciens propriétaires" ("AQPP")* ratified an agreement in principle with the Ministry of Health and Social Services ("MHSS"). Under this agreement, the government canceled the periodical withdrawals recorded and unpaid as of that date and ends the periodical withdrawals on pharmacists' fees that were supposed to continue until 2019. Furthermore, the agreement stipulates that the government will introduce a modification to the regulation on the benefits authorized to a pharmacist that will restore to 15% the ceiling on professional allowances that may be paid by generic manufacturers to a pharmacist. This regulation modification, for which the publication and effective dates are still to be determined, will put an end to the removal of the ceiling on professional allowances in effect since January 28, 2017.

Strategies and outlook

With its operations and financial flexibility, the Corporation is very well positioned to capitalize on the growth in the drugstore retail industry. Demographic trends are expected to contribute to the growth in prescription drugs consumption and to the increased use of pharmaceuticals as the primary intervention in individual healthcare. Management believes that these trends will continue and that the Corporation will maintain its growth in revenues through differentiation and quality of offering and service levels to its network of franchised stores, with a focus on its real estate program and operating efficiency. The growth in the number of generic drugs prescriptions, with lower selling prices than the branded name drugs, would, however, have a deflationary impact on retail sales in pharmacy. Additional generic drugs price decreases will reduce the profitability of the subsidiary Pro Doc. The removal of the ceiling on professional allowances allowed will also reduce the profitability of Pro Doc until the reinstatement of the 15% ceiling when a new regulation comes into force as per the April 12, 2017 agreement between the ("AQPP") and the ("MHSS").

Conference call

Financial analysts and investors are invited to attend the conference call on the first quarter of fiscal year 2018 financial results to be held on July 11, 2017, at 8:30 AM (ET). The call-in number is 514-392-0235 or toll free at 1-800-564-3880. Media and other interested individuals are invited to listen to the live or deferred broadcast on The Jean Coutu Group corporate website at www.jeancoutu.com. A full replay will also be available by dialing 514-861-2272 or toll free at 1-800-408-3053 until August 10, 2017. The access code is 7621477 followed by pound sign (#).

Supporting documentation (Management's discussion and analysis and investor presentation) is available at www.jeancoutu.com using the investors' link. Readers may also access additional information and filings related to the Corporation using the following link to the www.sedar.com website.

About The Jean Coutu Group

The Jean Coutu Group is one of the most trusted names in Canadian pharmacy retailing. The Corporation operates a network of 419 *franchised stores in Québec, New Brunswick and Ontario under the banners of PJC Jean Coutu, PJC Santé and PJC Santé Beauté, which employs over 20,000 people. Furthermore, the Jean Coutu Group owns Pro Doc Ltd ("Pro Doc"), a Québec-based subsidiary and manufacturer of generic drugs.*

This press release contains forward-looking statements that involve risks and uncertainties, and which are based on the Corporation's current expectations, estimates, projections and assumptions that were made by the Corporation in light of its experience and its perception of historical trends. All statements that address expectations or projections about the future, including statements about the Corporation's strategy for growth, costs, operating or financial results, are forward-looking statements. All statements other than statements of historical facts included in this press release, including statements regarding the prospects of the Corporation's industry and the Corporation's prospects, plans, financial position and business strategy may constitute forward-looking statements within the meaning of the Canadian securities legislation and regulations. Some of the forward-looking statements may be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "project", "could", "should", "would", "anticipate", "plan", "foresee", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. Although the Corporation believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. These statements are not guarantees of future performance and involve a number of risks, uncertainties, and assumptions. These statements do not reflect the potential impact of any nonrecurring items or of any mergers, acquisitions, dispositions, asset write-downs or other transactions or charges that may be announced or that may occur after the date hereof. While the list below of cautionary statements is not exhaustive, some important factors that could affect the Corporation's future operating results, financial position and cash flows and could cause its actual results to differ materially from those expressed in these forward-looking statements are changes in the legislation or the regulatory environment as it relates to the sale of prescription drugs and the pharmacy exercise, the success of the Corporation's business model, changes in laws and regulations, or in their interpretations, changes to tax regulations and accounting pronouncements, the cyclical and seasonal variations in the industry in which the Corporation operates, the intensity of competitive activity in the industry in which the Corporation operates, the supplier and brand reputations, the Corporation's ability to attract and retain pharmacists, labour disruptions, including possibly strikes and labour protests, the accuracy of management's assumptions and other factors that are beyond the Corporation's control. These and other factors could cause the Corporation's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied in those forward-looking statements.

Forward-looking statements are provided for the purpose of assisting in understanding the Corporation's financial position and results of operation and to present information about management's current expectations and plans relating to the future. Investors and others are thus cautioned that such statements may not be appropriate for other purposes and they should not place undue reliance on them. For more information on the risks, uncertainties and assumptions that would cause the Corporation's actual results to differ from current expectations, please also refer to the Corporation's public filings available at www.sedar.com and www.jeancoutu.com.Further details and descriptions of these and other factors are disclosed in the Corporation's Annual Information Form under "Risk Factors" and also in the "Critical accounting estimates", "Risks and uncertainties" and "Strategies and outlook" sections of the Corporation's annual management's discussion and analysis for fiscal year ended March 4, 2017. The forward-looking statements in this press release reflect the Corporation's expectations as of the date hereof and are subject to change after such date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

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THE JEAN COUTU GROUP (PJC) INC.

Condensed consolidated statements of income

For the periods ended June 3, 2017 and May 28, 2016	**13 weeks**	
	2017	2016
(unaudited, in millions of Canadian dollars, unless otherwise noted)	**$**	$
Sales	**671.3**	653.7
Other revenues	**79.1**	69.9
	750.4	723.6
Operating expenses		
Cost of sales	**599.5**	568.7
General and operating expenses	**79.4**	77.9
Operating income before depreciation and amortization	**71.5**	77.0
Depreciation and amortization	**10.0**	10.1
Operating income	**61.5**	66.9
Financing revenus	**(0.8)**	(0.5)
Profit before income taxes	**62.3**	67.4
Income taxes	**16.8**	18.4
Net profit	**45.5**	49.0
Basic and diluted profit per share, in dollars	**0.25**	0.27

Condensed consolidated statements of comprehensive income

For the periods ended June 3, 2017 and May 28, 2016	**13 weeks**	
	2017	2016
(unaudited, in millions of Canadian dollars)	**$**	$
Net profit	**45.5**	49.0
Other comprehensive income		
Items that will be reclassified subsequently to net profit:		
Net change in cash flow hedge:		
Loss for the period	**-**	(0.6)
Reclassification of gain to non-financial assets	**-**	(0.1)
Income taxes	**-**	0.2
	-	(0.5)
Total comprehensive income	**45.5**	48.5

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Condensed consolidated statements of changes in equity

For the periods ended June 3, 2017 and May 28, 2016

(unaudited, in millions of Canadian dollars)

	Capital stock	Treasury stock	Contributed surplus	Hedging reserve	Retained earnings	Total equity
	$	$	$	$	$	$
Balance at March 4, 2017	**399.2**	**(1.7)**	**58.9**	**-**	**753.7**	**1,210.1**
Net profit	**-**	**-**	**-**	**-**	**45.5**	**45.5**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**-**	**-**	**45.5**	**45.5**
Dividends	**-**	**-**	**-**	**-**	**(23.9)**	**(23.9)**
Share-based compensation cost	**-**	**-**	**0.2**	**-**	**-**	**0.2**
Options exerciced	**2.2**	**-**	**(0.3)**	**-**	**-**	**1.9**
Balance at June 3, 2017	**401.4**	**(1.7)**	**58.8**	**-**	**775.3**	**1,233.8**
Balance at February 27, 2016	405.2	(2.2)	58.7	0.6	658.0	1,120.3
Net profit	-	-	-	-	49.0	49.0
Other comprehensive income	-	-	-	(0.5)	-	(0.5)
Total comprehensive income	-	-	-	(0.5)	49.0	48.5
Dividends	-	-	-	-	(22.2)	(22.2)
Share-based compensation cost	-	-	0.2	-	-	0.2
Balance at May 28, 2016	405.2	(2.2)	58.9	0.1	684.8	1,146.8

THE JEAN COUTU GROUP (PJC) INC.

Condensed consolidated statements of financial position

(unaudited, in millions of Canadian dollars)	**As at June 3, 2017** $	As at March 4, 2017 $
Current assets		
Cash	**189.3**	178.9
Trade and other receivables	**235.1**	202.2
Inventories	**244.2**	302.7
Prepaid expenses	**15.5**	15.3
Income taxes receivable	**4.0**	3.8
	688.1	702.9
Non-current assets		
Long-term receivables from franchisees	**28.9**	27.7
Investment in associates and joint ventures	**29.6**	29.7
Property and equipment	**480.9**	484.6
Investment property	**21.9**	22.1
Intangible assets	**199.8**	202.2
Goodwill	**36.0**	36.0
Deferred tax	**0.1**	0.1
Other long-term assets	**19.0**	18.8
Total assets	**1,504.3**	1,524.1
Current liabilities		
Trade and other payables	**240.8**	285.2
	240.8	285.2
Non-current liabilities		
Deferred tax	**13.3**	13.0
Other long-term liabilities	**16.4**	15.8
Total liabilities	**270.5**	314.0
Equity	**1,233.8**	1,210.1
Total liabilities and equity	**1,504.3**	1,524.1

THE JEAN COUTU GROUP (PJC) INC.

Condensed consolidated statements of cash flows

For the periods ended June 3, 2017 and May 28, 2016	13 weeks	
	2017	2016
(unaudited, in millions of Canadian dollars)	**$**	$
Operating activities		
Net profit	**45.5**	49.0
Adjustments:		
Depreciation and amortization	**10.0**	10.1
Interest income	**(0.7)**	(0.4)
Income taxes	**16.8**	18.4
Gain on disposal of property and equipment and investment property	**-**	0.2
Others	**0.7**	1.5
	72.3	78.8
Net change in non-cash asset and liability items	**(17.3)**	(23.1)
Interest received	**0.7**	0.4
Income taxes paid	**(16.7)**	(9.7)
Cash flow related to operating activities	**39.0**	46.4
Investing activities		
Investments in associates and joint ventures	**-**	(0.8)
Purchase of property and equipment	**(3.8)**	(8.5)
Proceeds from disposal of property and equipment	**0.1**	-
Proceeds from disposal of investment property	**-**	0.1
Net change in long-term receivables from franchisees	**(1.6)**	(1.9)
Purchase of intangible assets	**(1.3)**	(9.5)
Cash flow related to investing activities	**(6.6)**	(20.6)
Financing activities		
Issuance of capital stock	**1.9**	-
Redemption of capital stock	**-**	(0.8)
Dividends paid	**(23.9)**	(22.2)
Cash flow related to financing activities	**(22.0)**	(23.0)
Effect of foreign exchange rate changes on cash and cash equivalents	**-**	(0.8)
Net change in cash and cash equivalents	**10.4**	2.0
Cash and cash equivalents, beginning of period	**178.9**	100.3
Cash and cash equivalents, end of period	**189.3**	102.3
Cash and cash equivalents consist of:		
Cash	**189.3**	88.3
Temporary investment	**-**	14.0
	189.3	102.3