

**Empire Company Limited**

**Fourth Quarter Fiscal 2026 Conference Call**

June 18, 2026 — 8:00 a.m. E.T.

Length: 48 minutes

"While Cision has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. Cision will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Cision ait fait des efforts commercialement raisonnables afin de produire cette transcription, la société ne peut affirmer ou garantir qu'elle ne contient aucune erreur. Cision ne peut être tenue responsable pour toute perte de profits ou autres dommages ou responsabilité causé par ou découlant directement, indirectement, accessoirement ou spécialement de toute erreur liée à l'utilisation de ce texte ou à toute erreur qu'il contiendrait. »

## **CORPORATE PARTICIPANTS**

### **Katie Brine**

*Empire Company Limited — Vice President, Investor Relations, Treasury & Pensions*

### **Pierre St-Laurent**

*Empire Company Limited — President & Chief Executive Officer*

### **Constantine (Costa) Pefanis**

*Empire Company Limited — Chief Financial Officer*

### **Luc L'Archevêque**

*Empire Company Limited — Chief Customer Officer*

## **CONFERENCE CALL PARTICIPANTS**

### **Vishal Shreedhar**

*National Bank Financial — Analyst*

### **Irene Nattel**

*RBC Capital Markets — Analyst*

### **Michael Van Aelst**

*TD Securities — Analyst*

### **Chris Li**

*Desjardins Capital Markets — Analyst*

### **John Zamparo**

*Scotiabank — Analyst*

### **Étienne Ricard**

*BMO Capital Markets — Analyst*

### **Mark Petrie**

*CIBC World Markets — Analyst*

## PRESENTATION

### Operator

Good morning, ladies and gentlemen, and welcome to the Empire Company Q4 2026 Conference Call. At this time, all lines are in listen-only mode. Following the presentation, we will conduct a question-and-answer session. If at any time during this call you require immediate assistance, please press star zero for the operator. This call is being recorded on Thursday, June 18, 2026.

I would now like to turn the conference over to Katie Brine, VP, Investor Relations. Please go ahead.

### Katie Brine

Thank you, Joelle. Good morning and thank you all for joining us for Empire's Fourth Quarter Fiscal 2026 Conference Call. Today we will provide summary comments on our results and then open the call for questions. This call is being recorded and the audio recording will be available on the Company's website at [www.empireco.ca](http://www.empireco.ca). There is a short summary document outlining the points of our quarter available on our website as well.

Joining me on the call this morning are Pierre St-Laurent, President and Chief Executive Officer; Costa Pefanis, Chief Financial Officer; and Luc L'Archevêque, Chief Customer Officer.

Before we begin, I would like to remind you that today's discussion includes forward-looking statements. We caution that these statements are based on management's assumptions and beliefs and are subject to risks and uncertainties that could cause actual results to differ materially. I refer you to our news release and MD&A for more information on these assumptions and factors.

With that, I'll turn the call over to Pierre.

**Pierre St-Laurent**

Thanks, Katie. Good morning, everyone.

We delivered a very solid finish to fiscal 2026, driven by disciplined execution across the business and continued progress against our strategic priorities. This translated into 8.7% adjusted EPS growth for the year, which is within our long-term financial framework, and gross margin expansion that is also within our target. We also continued operating with SG&A discipline that generated operating leverage, especially in the back half of the year.

I'll focus on two topics today, our fourth quarter results and market trends and our expectations going forward, including strategic priorities, as we move into fiscal 2027. Starting with our fourth quarter, we delivered adjusted EPS of \$0.94, up 27% year over year. Excluding other income and share of equity earnings, largely real estate related, EPS grew 14.8%. And looking at the full year, in fiscal 2026 we had a lower dependence on our real estate related income and delivered a core EPS growth of 11.9%. It is very important to management that we continue to build the strength of the core business and capitalize on market opportunities.

Food sales grew 2.1% with same-store sales up 1.5%. Our two-year same-store sales stack improved sequentially through the year and was 5.3% in the quarter. This was driven by a strong performance in our full-service network as well as continued momentum in discount. The solid performance that we are seeing across all of our formats gives us confidence that customers continue to find value in our stores.

Fiscal 2026 marked a clear shift towards new store growth. Following a period that was heavily focused on renovation and conversions, we are now accelerating new stores opening. With more than 20 stores already planned in fiscal 2027 and more than 70 new stores planned over the next three years, we expect total food sales growth to outpace same-store sales more meaningfully going forward. We will remain disciplined in how we allocate capital, every new store must deliver healthy returns, but we see significant opportunity and white space to capture new customers and drive top-line growth.

In Q4, gross margin excluding fuel was flat year over year and expanded by 14 bps for the full fiscal year, within our target range of 10 to 20 bps annually. This includes some pressure from higher outbound fuel costs in the second half of the quarter. While our margin has grown significantly over the past decade, we continue to see opportunities for consistent expansion, including through enhancement of our merchandising tools and processes, growth of Empire Media+, and expansion of our personalization capabilities. While quarterly performance may vary, we remain committed to our goal of delivering 10 to 20 basis points of annual margin expansion over time.

Now I'll comment on what we're seeing in the current environment. Reported CPI for food purchased from stores was 4.1% this quarter and our internal inflation remained well below that level. While we continue to see cost-increase requests from suppliers, our national sourcing teams remain disciplined in protecting customer value. Consistent to our approach on tariffs, we are pushing back on fuel-related surcharges. We know many customers remain stretched and our focus is on continuing to strengthen our value proposition through the levers we have, including Scene+ and targeted promotion along with our value size and own brand assortment.

As we look ahead, our focus is on disciplined execution across our four strategic priorities: customers, stores, growth, and cost efficiency. Each of these pillars are supported by clear, tangible actions and we will highlight a few examples.

First, customers. We continue to strengthen our value proposition across all formats and channels, ensuring customers have a great experience and see clear value wherever they shop. In Q4, we saw continued engagement across key elements of our customer value equation, including growth in Scene+ participation, strong response to our promotional programs, and continued momentum in our own brand and value size offerings. Our focus remains on being the banner of choice in every market by delivering a consistently strong experience and clear value to customers at every shop.

Next, stores. We are improving retail performance by investing in our store network and enhancing the in-store experience for customers. In Q4, we completed 24 real estate projects, including five new store openings - four in discount - and two conversions. Over the next three years, we plan to accelerate our level of activity, completing more than 90 projects annually, an increase of 25% compared to fiscal 2025 and 2026. At the same time, we are continuing to activate several in-store programs to make it easier for our teammates to serve customers. This includes efforts like continued rollout in electronic shelf labels nationally as well as evolving in-store processes and ways of working.

Turning to growth, we remain focused on driving growth within our existing network, capitalizing on market opportunities and accelerating key growth engines in areas such as discount, pharmacy, e-commerce, and retail media.

In discount, we are expanding into Atlantic Canada, with three FreshCo locations opening in fiscal 2027. Similar to our Western expansion, we have identified markets where we believe the banner can perform well, including one conversion from our existing network and two new locations. We were also pleased to announce the acquisition of Mayrand in April, which provides us with an entry point into the Quebec discount wholesale segment. We recently received court and regulatory approval and expect this transaction to close in the coming days.

Turning to pharmacy, the business is performing well and we see opportunities ahead. We finished our last fiscal year with strong results and are looking to continue that momentum. In terms of our strategy, right now we're focusing on optimizing the existing business and driving growth. Some immediate actions we are taking include better leverage our central fill capabilities and optimizing labour to improve both productivity and service to customers. In parallel, we will continue to expand selectively, including adding pharmacy to new stores and being on the lookout for targeted opportunities to grow our network. You should think of this as the beginning of our journey for pharmacy and we will share more details over time.

In e-commerce, the closure of Alberta's CFC represents another important step in improving the economics of the business. With continued sales growth and strong momentum, we see meaningful opportunity ahead through Voilà and our third-party partnerships, including DoorDash, which has performed well since launching nationally in April. The team continues to pursue other initiatives to drive growth in our e-commerce business and we look forward to providing an update later this year.

Lastly, cost efficiency. We are realizing the benefit of investments made over the past several years while maintaining a strong focus on cost discipline. Costa will speak to this in more detail shortly. We are excited by our strategic direction and have shared our plans with our Board of Directors with their full support. As we refine our three years outlook to drive earnings growth, supported by a clear set of initiatives, we expect to be in a position to share additional details in due course.

Stepping back, our strategic priorities are closely aligned with our financial framework and support our objective of driving adjusted EPS growth through a combination of earnings growth and share repurchases. We are also announcing 10.2% increase to our dividend, reinforcing our commitment to deliver strong returns to shareholders. As we enter fiscal 2027, we are very confident in our positioning and the opportunities ahead. We expect adjusted EPS growth to be at the high end of our long-term financial framework, supported by food sales growth, margin expansion, cost discipline, and improvement in e-commerce economics.

In closing, fiscal 2026 reinforced the resilience of our business and our ability to deliver strong results in a challenging environment. We remain focused on delivering value for our customers as well as consistent, sustainable returns for our shareholders.

With that, I'll turn it over to Costa.

**Constantine (Costa) Pefanis**

Thanks, Pierre. Good morning, everyone.

We are pleased with our performance in fiscal 2026 as we delivered adjusted EPS growth of 8.7%, within our financial framework. As Pierre noted earlier, our core business delivered even stronger growth. We expect to build on this momentum in the years ahead. I'll begin with our fourth quarter results, then turn to our fiscal 2027 outlook, including capital allocation and other income, before closing off with some comments on our new company strategy.

In the fourth quarter, we delivered adjusted EPS of \$0.94, up 27% year over year, reflecting good top-line growth, operating leverage, higher contribution from other income, a favourable tax rate, and share repurchases. Excluding fuel, gross margin was flat versus last year. Stronger performance across our banners were largely offset by the mixed impact from higher wholesale contribution and by higher supply chain costs, including higher fuel prices. While fuel introduces some variability, it remains manageable. We expect to deliver adjusted EPS growth at the high end of our financial framework in fiscal 2027. For fiscal 2026, gross margin expansion of 14 basis points was in line with our medium-term expectations of 10 to 20 basis points on an annual basis.

Other income and share of earnings from equity investments contributed \$49 million in Q4, modestly above our prior quarterly expectations due to transaction timing, and on the full year this contribution was \$129 million, within our guidance range of \$120 million to \$140 million. Real estate contribution was almost \$30 million lower, or about \$0.10 per share lower year over year. This highlights the increasing contribution of our core operations to overall earnings.

Turning to SG&A, we delivered another quarter of operating leverage, marking sequential improvement since the first quarter. SG&A excluding depreciation and amortization as a percentage of sales improved by 31 basis points versus last year. This reflects a combination of factors with the most impactful being good top-line growth, benefits from the January e-commerce update, and lower year-over-year incentive costs, partially offset by higher labour costs and continued investment in business expansion.

Our effective tax rate in Q4 was approximately 19.3%, lower than last year at 25.2%. This was mostly due to non-taxable capital items, including a sales leaseback transaction with Crombie. Serving as partial offsets were a change in deferred tax assets not recognized and the revaluation of tax estimates. For fiscal 2027, excluding the effects of any unusual transactions or differential tax rates on property sales, we continue to estimate that our effective income tax rate will be between 25% and 27%.

Now I'll speak to some of our fiscal 2027 expectations. Our capital allocation plans continue to be supported by our strong balance sheet and consistent free cash generation. Our business is generating a healthy amount of cash, including about \$1.3 billion of free cash flow before CapEx, and we will continue to invest your capital wisely. In fiscal 2026, we accelerated new store openings and we will continue that growth through our new three-year strategy. We expect fiscal 2027 CapEx to be approximately \$850 million; about half is allocated to new stores and renovations, a quarter towards technology initiatives and business development projects, and the balance towards various areas including logistics and sustainability.

As Pierre mentioned, today we announced a 10.2% increase in Empire's quarterly dividend per share, which brings our five-year dividend CAGR to 10.1% and represents an increase in our dividends for the 31<sup>st</sup> consecutive year. We also expect to renew our NCIB on or before June 25<sup>th</sup>, consistent with the timing requirements of the TSX, for approximately 9.6% of our public float, consistent with prior years. We will remain active with this NCIB and we are maintaining a level of flexibility, as we are open to capitalize on market opportunities like the recent Mayrand transaction.

In fiscal 2027 we expect contribution from other income and share of earnings from equity investments to range from \$90 million to \$110 million as we continue to drive increased performance from our core retail operations. Based on our current visibility, the quarterly cadence to this is about 15% in Q1, 15% in Q2, 25% in Q3, and 45% in Q4.

As announced in January, we continue to expect approximately \$95 million in annualized operating income improvement, with approximately one-third of that reinvested into the business, including technology initiatives such as advanced analytics and also accelerating our new store expansion plans. In Q4 we began to realize initial benefits and expect to achieve run rate by mid-fiscal 2027.

As Pierre mentioned, customers, stores, and growth will be key drivers to improve top line and margin, but our financial framework also looks to deliver operating leverage across our core business. This will be achieved through the cost efficiency pillar of our company strategy. We see opportunities across strategic sourcing, supply chain optimization, and also improving our spend across real estate, marketing, and IT. Some of the specific initiatives include electronic shelf labels and central kitchen investments, amongst many others. We expect to continue our momentum on cost control and to deliver operating leverage across fiscal 2027, though this may not materialize in a straight line across each quarter.

And finally, I want to emphasize that we expect adjusted EPS growth for fiscal 2027 to be at the high end of our financial framework of 8% to 11%. This outlook reflects our focus on strengthening our core operations under our new three-year strategy along with expected contributions from adjacent pillars like pharmacy and M&A.

With that, I'll turn it back to Katie for your questions.

**Katie Brine**

Thank you, Costa. Joelle, you may open the line for questions at this time.

**Q & A**

**Operator**

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press star followed by the one on your touchtone phone. You will hear a prompt that your hand has been raised. Should you wish to decline from the polling process, please press star followed by the two. If you are using a speakerphone, please lift the handset before pressing any keys. One moment please. Your first question comes from Vishal Shreedhar from National Bank. Your line is now open.

**Vishal Shreedhar** — National Bank Financial

Hi. Thanks for taking my questions. I just wanted to start off with the strategic rationale of the Mayrand acquisition.

**Pierre St-Laurent**

Mayrand is a well-known brand in Quebec. They're performing well in four stores. This opportunity came up for us, it was a very easy decision to make. It was a great strategy to enter into the discount and wholesale market. And the acquisition cost was very affordable and for us it was the best way to enter this market with minimal risk. And we see a lot of potential growth with very minimal cannibalization to our network. So this is meaningful for us. We're very excited internally by these opportunities. It was not on the table a year ago, but when we saw that opportunity, we jumped in and we're pleased with that. We expect the closing in the next few days, and the team is already working on the integration plan and how can we drive this business forward.

**Vishal Shreedhar**

Okay. And should we expect that business to grow substantially via with network growth? And I understand that the business was under protection in the Bankruptcy and Insolvency Act, so do you see a quick path to profitability for that business? And also, you anticipate it being a Quebec-only discount banner, is that correct?

**Pierre St-Laurent**

It's early to talk about the plan, but I know that they had a plan for expansion, and I can tell you this is going to be accretive from day one. So it will be profitable on day one for us. And we will sit with the Mayrand team to look at their plans to see how we can support them in their growth, but we see meaningful potential growth with that business.

**Vishal Shreedhar**

Okay. Thank you. And I just wanted to get your new management's perspective on pharmacy. How large is that business? And I noticed there's been an appointment in pharmacy as well in terms of the management team, so how should we think about the growth of that business over time? And will it be organic? Will it be acquisition? Any thoughts you can provide would be helpful.

**Pierre St-Laurent**

Okay. So we have a meaningful network, I mean over 400 pharmacies, both in-store and standalone pharmacies with Lawtons. It's a pretty interesting business for us. As I said before, since 2017 it was not our focus. We had other priorities to fix in the core business, which is now done. I made the decision early this year to elevate pharmacy with our ELT (Executive Leadership Team). Doug Nathanson is leading the pharmacy group, he's our lead for that, so pharmacy is top of mind for us. It's an area where we did not focus in the past and we see meaningful growth going forward in both performance and growth. So we are very pleased with the results we had last year, but just by giving more focus to that business, we're very pleased with the progress we saw during the year and we're seeing more opportunity in the next fiscal year.

So, to answer your question in terms of growth, we're seeing potential growth in the existing network through new pharmacy in our new stores network. And we're going to add more new stores, as I said, so pharmacy will be part of that strategy. So, when we'll be able to do that, we will have pharmacies in our new stores, and this will grow the pharmacy network. We made meaningful investments in the past in the central fill, so this is another opportunity for us to capitalize on past investments. And we will continue to look at small, tuck-in acquisition as well as transformational acquisitions if it makes sense for us, if the price is reasonable, if the strategic fit is there. I think, as I said in the past, we see meaningful growth opportunity in that business, like we see meaningful opportunity to grow the discount business. It's two areas where we are underdeveloped in our mind and so there's a lot of room for us to grow without cannibalization. So that's why we're excited by the future in those two businesses and pharmacy is definitely an area where we're going to focus.

**Vishal Shreedhar**

Thank you.

**Operator**

Your next question comes from Irene Nattel with RBC Capital Markets. Your line is now open.

**Irene Nattel** — RBC Capital Markets

Thanks and good morning, everyone. Could you provide some colour around what you saw in terms of consumer buying behaviour through the quarter, whether you saw an intensification of value-seeking behaviour as fuel prices went up, and also how you're seeing your current cost environment with fuel prices still, even though supposedly we have a deal, elevated?

**Pierre St-Laurent**

There's no one better than our chief customer officer to answer that question. I'll ask Luc to answer.

**Luc L'Archevêque**

Of course. Thanks, Irene. And Pierre and Costa, you may jump in also if you want to at the end. I would say more of the same - is how I would define Q4 versus Q3. So no meaningful changes in the customer behaviour. Our basket is up. Our trips are stable. Inflation is very stable, below CPI. Promo penetration remains the same. So really nothing to declare here on customer behaviour.

You talked about costs. So, if I look at the submissions that we received from the suppliers compared to the same period last year, it's actually less, so there's no surge on cost increases coming from suppliers. And our position on fuel is very well known, so we're not accepting anything. It's too volatile. It's too unpredictable. But to your point, now there's an agreement, apparently, so hopefully this will also put some relief to the customers as fuel prices should go down from now on.

**Irene Nattel**

That's really helpful. Thank you. And then just a housekeeping question. Can you share what the benefit to the SG&A line was as a result of the changes on the CFC? Because I believe the benefit, you said the benefits began in Q4, but you didn't quantify it I don't believe.

**Constantine (Costa) Pefanis**

Yeah, we benefited in the quarter, Irene, at the expectation that we set of about \$15 million.

**Irene Nattel**

Okay. Thank you.

**Operator**

Your next question comes from Michael Van Aelst with TD Cowen. Your line is now open.

**Michael Van Aelst — TD Cowen**

Hi. Good morning. I wanted to ask about your e-commerce growth, which was up, I think, 6%. This was reasonably below the 20% that your two public company peers reported and I'm kind of curious as to how much of that might have been caused by scaling back of Voilà's footprint in Calgary and what you're doing to ensure that you hold your share in the third-party e-commerce channels like Uber and Instacart that are growing faster than the industry.

### **Constantine (Costa) Pefanis**

Yeah, Michael, I think when we talk about the main cause of that sales growth tapering, it did come because of the closure in Alberta. You know, we had a partial offset with our rollout of DoorDash, which was completed at the end of April. And, you know, with regards to Voilà overall, we're still happy with the sales growth that we're delivering in our CFCs in Toronto and Montreal. It wasn't quite double digit, but it was still solid. And in terms of future quarters, we're not going to be commenting on where total e-commerce growth will be, but we're going to be assuming more contribution due to the DoorDash partnership. So, you know, we're looking forward to more good things to come as it relates to our e-commerce strategy.

### **Michael Van Aelst**

Are you able to give us any sense as to how much of a drag we can expect the exiting or the closure of the Calgary CFC to cause or to have on your e-commerce growth over the next few quarters?

**Pierre St-Laurent**

We don't have the exact number. We can come back to you. But it's not that big. This is why we decided to close the CFC. But again, we have to look forward and the plan to grow the... So, first of all, DoorDash joined us at the end of the quarter, so in April. We did close the Alberta CFC. And we have strong plan in place to drive growth now. We did focus on improving the economics in the last year, so now it's behind us and we're going to drive growth. And e-commerce teams are having a very solid plan that we're presenting to our board right now. They are in meetings. And we're very, I would say, we see the future growth very good. So that's, again, it's below our target. We expect more growth from e-commerce. Focus has been on improving the economics, but when we look in the future, we see a lot of potential to grow this business. We have a couple of initiatives on the table right now that are going to drive growth in a profitable way.

**Michael Van Aelst**

Okay. And are you—

**Pierre St-Laurent**

Yes, go ahead. Do you have another question?

**Michael Van Aelst**

Well, I just wanted to ask for a bit of clarity there on some of the trends within the e-commerce, because I'm curious as to whether the difference in the growth rates has something to do with like the channels, the discount versus the full-service channel within e-commerce specifically.

**Pierre St-Laurent**

I don't think there's a correlation we can make between discount, e-commerce. Third party is growing. We see that. We see growth continue at a very high pace from third-party e-commerce. So I don't think it's related to discount or full service. It's related to the e-commerce market more than anything else. And again, through this quarter, it's below our expectation, the result we had in this quarter, to be honest, but there's nothing broken. Again, the focus has been on improving the economics. I'm very pleased with how the team did handle that. They handled that really, really well. The team is focusing on driving profitable growth right now and the best is yet to come.

**Michael Van Aelst**

Perfect. Thank you very much.

**Pierre St-Laurent**

And if I may, Michael, I understand this is your last call with us?

**Michael Van Aelst**

That's right, yes.

**Pierre St-Laurent**

I wish you all the best on behalf of the entire Empire team. Thanks so much.

**Michael Van Aelst**

Thank you. Thank you, guys. It's been a pleasure.

**Constantine (Costa) Pefanis**

Thank you, Michael.

**Luc L'Archevêque**

Thank you.

**Operator**

Your next question comes from Chris Li with Desjardins. Your line is now open.

**Chris Li** — Desjardins

Good morning, everyone. Costa, I just maybe have a couple of numbers questions for you. First, I want to confirm the EPS growth guidance. I just want to confirm that it does include other income and share of earnings from investments. Is that correct? I ask because the midpoint of your guidance for this year obviously implies a decline versus last year, so I want to make sure that that growth, 8% to 11%, includes that decline.

**Constantine (Costa) Pefanis**

It's all included, yes.

**Chris Li**

Perfect. Okay. And then just on the gross margin, you know that it was negatively impacted by the wholesale mix. Are you able to sort of quantify how much that was in the quarter? And then when will you start to lap that impact?

**Constantine (Costa) Pefanis**

Yeah, so I won't comment on the first part of your question, but the lapping on the mix will be in Q2. So we'll lap it fully in Q1 and then Q2 being a full year.

**Chris Li**

Got it. Okay. That's great. And then my last question, I guess maybe for Pierre, is can you comment, just when you look at the new stores that have been opened recently, how has the growth been versus your expectations?

**Pierre St-Laurent**

We're pleased. We did open Farm Boy's, Longo's and mostly discount, and it's in line with our expectation. Again, we are very picky on locations. I'm a big fan of being disciplined on how we allocate capital. It's in line with our expectation. The market is soft in general, but honestly, good reaction with every new store's opening and conversion in the last quarter, so it gives us confidence to continue and it gives us confidence to open more than 20 stores next year and 70 stores in the next three years. Most of them are discount.

**Chris Li**

Okay. Great. Thanks very much and all the best.

**Pierre St-Laurent**

Thank you.

**Operator**

Your next question comes from John Zamparo with Scotiabank. Your line is now open.

**John Zamparo** — Scotiabank

I wonder if you could share any observations about or comments on cadence of same-store sales through the quarter. Was the 1.5% roughly stable through F Q4? Was there any volatility month to month? And apologies if I missed it during your prepared remarks, but was there any colour or any colour you can add on discount versus conventional performance?

**Pierre St-Laurent**

We continue to see slightly better performance in full service and discount, but almost the same, so we're pleased with both formats. So it's not driven by discount. It's driven by both formats. Like it was last quarter. Last quarter I said that full service did deliver stronger same-store sales in discount, and it's not because discount did not perform well, it's because year-over-year trends. Last year discount was very strong. Year over year it was more challenging to beat. It was the opposite in full service and we continue to see that trend right now. So we continue to see strong performance in both formats and both are contributing to our same-store sales growth and we're expecting that to continue.

**John Zamparo**

Okay. Understood. I wanted to follow up on the prior question about the wholesale mix, and just given that there is still some level of increased wholesale sales impacting gross margin expansion, is it fair to expect gross margin gains ex-fuel in F27 could be on the lower end of the long-term algo?

**Constantine (Costa) Pefanis**

No. No. We fully expect to be able to deliver, you know, with our expectations of what we've said in the past. So I think it's just a matter of us lapping these wholesale mixes. That's pretty much the commentary in terms of any forward guidance.

**John Zamparo**

All right. Understood. And then one last one, returning to the topic of pharmacy. Can you confirm growth in the pharmacy for you is above the overall pace of growth for the retail business and can you add or do you plan to add pharmacies to existing stores as part of your regular renovation plans?

**Pierre St-Laurent**

Absolutely. Absolutely. We have room to allocate capital to pharmacy if there's meaningful returns in the project that we have in front of us. Absolutely.

**John Zamparo**

Okay. I'll pass it on. Thank you.

**Operator**

Your next question comes from Étienne Ricard with BMO Capital Markets. Your line is now open.

## Étienne Ricard — BMO

Thank you and good morning. To circle back on pharmacy, you mentioned the potential to improve the current network, so what do you think you can do better in pharmacy? And as you look at potentially expanding, what do you want to be best known for to customers in this segment?

## Pierre St-Laurent

Again, just, first of all, giving love to that business will drive growth in both top line and bottom line. The team is, we have a very good team. We have dedicated leadership at the ELT level to drive that business. I did visit central fulfill recently. I did visit teams. They are very excited. So again, it will be driven by, I would say benefits from the past investments we've made in central fulfill. So we will improve productivity and we'll give more time to pharmacists to give more personalized service to customers. That's the purpose of the central fill. And we are seeing room to continue to grow that operation with investment we've made in the past. That's the first thing.

The second thing is growth. Adding more pharmacies through our new stores, even going after small, tuck-in acquisitions in the market. The team is focusing on it right now. So both growing top line and bottom line in productivity is going to improve our performance. And last year pharmacy did overperform the rest of the business and it's just the beginning. So we're encouraged by what we're seeing in front of us to drive that business in the next level.

## **Étienne Ricard**

And Pierre, as you reflect on your first six months as CEO, what would you say has been the most significant change to the culture and priorities of the company?

## **Pierre St-Laurent**

First of all, I love the culture of this company. Yesterday I did celebrate 35 years with this company, so I'm very attached to the culture of this company. It's a great culture, great people culture. People are the most important asset for us. But right now I think the challenge is to drive more performance. I'm passionate about performance, I said it before, and I feel strong support from the leadership team to drive performance at this company to the next level and I see a lot of energy in the company to drive performance. So we have very strong assets, we have very strong presence across the country, a strong portfolio of brands. I'm just trying to bring this company to the levels that it deserves. And strong assets, just optimizing and driving growth, I'm passionate about growth as well I think as I said before. We did fix a lot of things in the past couple of years. It's behind us. Now we can focus on driving growth and driving performance, more than ever. So I feel the energy internally, I feel the strong support from the leadership team and the strong support from our Board of Directors to drive performance of this company, and it's exciting. I'm very excited. I'm having a lot of fun right now.

## **Étienne Ricard**

Awesome. Thank you very much.

## **Operator**

Ladies and gentlemen, as a reminder, should you have a question, please press star one. Your next question comes from Mark Petrie with CIBC. Your line is now open.

## **Mark Petrie — CIBC**

Thanks and good morning. I guess just a couple of follow ups really. Maybe first, Pierre, just on the store pillar, specifically hoping you can provide more detail on your priorities and the opportunities there specifically around the operations. I think we all understand the shelf label opportunity, but just given your deep experience and expertise in operations, what changes should we expect to see and how material do you think that opportunity is?

## **Pierre St-Laurent**

It's a big portion of our business and our stores is where most of our transactions are happening. And as I said, when we talk about stores, a priority is how can we make the life of our teammates in-stores easier. So we still have a lot of things or tasks that our teammates are doing that are not adding value to the customer experience and those tasks are not necessarily fun to do by our teammates, so by focusing on simplifying their life, we believe we will improve the performance of the company.

But more importantly, we are going to give room for our teammates to better serve customers and make the experience better. That's the focus we have right now. We're dedicated, the entire leadership team, to simplify stores' teammates' lives and to better serve customers. And we strongly believe that because the service is part of the value equation. I said it before, value equation, it's a combination of multiple factors, including price. Price is one of the most important ones, but it's not the only one. It's not one-dimensional. The customer service, the emotional connection are equally important in the value equation and this is a big focus for us going forward. It's a big focus for me. I strongly believe that it's where the magic happens, is in store, and we have banners in our network that are doing extremely well on that.

So, in my leadership team, as you know, we have a great retailer, probably one of the best to drive the performance of our store. Jean-Louis Bellemare is our retail executive at the ELT and is committed to create the same type of experience or better that we have in our Farm Boy stores and Farm Boy is performing extremely well. So we're leveraging strength in our business across the board. This is the goal that we have. And having Jean-Louis at the table with the entire leadership team, with Julia Knox, who is going to be the Chief Retail Officer, and the work that they're doing with our Chief Customer Officer it's where we will create the magic. It's nothing crazy, but it's the fundamental of retail. And it's with fundamentals of retail we're going to win.

**Mark Petrie**

Understood. Appreciate that. Also wanted to follow up on the SG&A opportunity and cost efficiency. Would it be reasonable to expect leverage in fiscal 2027 and would that even be the case if same-store sales growth holds at the Q4 level, the 1.5%?

**Constantine (Costa) Pefanis**

Yes, Mark, our expectation is to continue to drive leverage. Really important, as we talk about our total sales growing at a bigger portion than our same-store sales, but pressing forward with the areas that we've continued over the last couple of quarters, we've seen some meaningful improvements. There's been a lot that has gone into that as we look forward to our three-year strategy. So we're happy with the cost control. And I just want to reiterate that the expectation is for us to be able to push forward, especially around areas that relate to how we prioritize certain initiatives so that we can do better with the investments that we've made. That's a key message.

**Pierre St-Laurent**

And Mark, the way we will achieve it is, as I said, we made a lot of investment in the past that we continue to see potential. So the investments are done - we have to focus on delivering benefits on them. Central fill is a great example. We believe we can do better with that investment. Investments we've made in stores, investment we've made in tools and processes, in merchandising, for example, and in store.

We strongly believe investment is behind us. Now it's time to capture the benefit. More sales are going to give us leverage, we strongly believe that, and the focus on being efficient with every dollar we spend. And internally, we have four strategic pillars - it's the filter through which our decisions are made. If it's not good for stores, we won't do it. If it's not good for stores, it's not simplifying the stores' life, it's not driving growth, and we won't do it. We will do meaningful investment according to that focus. Less is more and we strongly believe this is going to drive the SG&A in the right direction.

**Mark Petrie**

Yep. Okay. Appreciate that. And then my last follow up just specifically around the plan for new stores, 20 new in fiscal 2027, I assume, you know, maybe 25 each year in the following two years. I think you said that skews to discount, but could you just give us maybe a more specific number for fiscal 2027? And then does that mix change in 2028 and 2029 or is it still about the same?

**Pierre St-Laurent**

It's about the same. As we said before, I think more than 75% of the new stores are going to be discount. But you will see new openings in Farm Boy and Longo's and IGA, because there's room to grow. There's new development where we believe full service is the best format for that neighbourhood. Farm Boy is doing extremely well, Longo's is going to open a new store next week, Farm Boy just opened a store today, IGA is going to open two new stores next year. So it's a combination of all our formats, but more than 75% are going in discount because discount is a white space for us. We have a lot of room to grow in discount without cannibalization of our network.

**Mark Petrie**

Yeah, okay, but that doesn't include any new pharmacies. Is that right?

**Pierre St-Laurent**

In that 70 new stores, no. Pharmacy, we will provide more details in the future, but you should expect seeing growth in the store counts as well.

**Mark Petrie**

Yeah. Okay. Okay. Appreciate that and all the best.

**Pierre St-Laurent**

Thank you.

**Operator**

There are no further questions at this time. I will now turn the call over to Katie for closing remarks.

**Katie Brine**

Thank you, Joelle. We appreciate your continued interest in Empire. If there are any unanswered questions, please contact me by phone or email. We look forward to having you join us for our first quarter fiscal 2027 conference call on September 10<sup>th</sup>. Talk soon.

## **Operator**

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.