

Q4 F23 Earnings

June 22, 2023

Highlights: Q4-F23

- EPS and adjusted EPS of \$0.72. Includes adjustments for:
 - The estimated direct impact of the Cybersecurity Event; the adjustment to net earnings was a recovery of \$5.0 million.
 - Costs of the integration of Grocery Gateway, which were approximately \$7.0 million, net of tax and non-controlling interest.
- Prior year EPS and adjusted EPS were \$0.68
- Same-store sales, excluding fuel, increased by 2.6%.
- Gross margin, excluding fuel, increased by 58 bps.
- Adjusted EBITDA margin increased by 60 bps.
- Annual dividend per share increased 10.6%.
- Repurchased 9.4 million shares (\$350 million) in fiscal 2023, an increase of 48% over fiscal 2022; Intention to repurchase \$400 million of shares in fiscal 2024.
- Demonstrated capital discipline with fiscal 2023 capital expenditures of \$797 million, consistent with guidance of \$800 million.
- Capital investment program for fiscal 2024 expected to be approximately \$775 million, with approximately half allocated to renovations, new store expansion, and approximately \$50 million toward sustainability initiatives.
- During the quarter, Scene+ was launched in Quebec and at Thrifty Foods in March 2023, marking the completion of our national roll-out.
- The third CFC in Calgary which services the majority of Alberta, began deliveries on June 20, 2023.
- In the fourth quarter of fiscal 2023, the Company's four e-commerce platforms experienced a combined sales decline of 13.5% compared to the same quarter in the prior year (excluding the additional week of operations in the prior year).
 - The decrease is primarily driven by higher online sales in the fourth quarter of fiscal 2022 as a result of the pandemic, which had an outsized impact on the Company's non-Voilà e-commerce businesses.
 - According to third-party market data, Voilà continues to outperform the market over the last fiscal year.
- On December 13, 2022, the Company signed a definitive agreement to sell all 56 retail fuel sites in Western Canada for approximately \$100.0 million.
 - The Company expects the transaction to close in the first half of fiscal 2024.

Fourth Quarter Financial Summary

	Q4		Fiscal Year	
	Actual	Last Year ⁽¹⁾	Actual	Last Year ⁽¹⁾
Sales	\$7,408	\$7,841	\$30,478	\$30,162
<i>Same-store sales, excluding fuel</i>	2.6%	(2.5%)	1.5%	(2.1%)
Gross Profit	\$1,959	\$2,004	\$7,793	\$7,660
<i>Gross margin %</i>	26.4%	25.6%	25.6%	25.4%
Selling and Administrative Costs	\$1,695	\$1,711	\$6,709	\$6,476
<i>Selling and administrative %</i>	22.9%	21.8%	22.0%	21.5%
Adjusted EBITDA	\$599	\$586	\$2,322	\$2,331
<i>Adjusted EBITDA margin %</i>	8.1%	7.5%	7.6%	7.7%
Adjusted earnings per Share – diluted	\$0.72	\$0.68	\$2.80	\$2.80
Free Cash Flow	\$209	\$49	\$192	\$811
Capital Expenditures	\$243	\$273	\$273	\$767

Financial Framework

Over the last six years, we have successfully completed two transformation strategies, Project Sunrise and Project Horizon. We now aim to achieve the following:

- 1) Growth in total adjusted EPS over the long-term (through net earnings growth and share repurchases)
- 2) Continued improvement in sales, gross margin (excluding fuel) and adjusted EBITDA margin.

These achievements will be supported by a focus on several priorities such as:

Continued Focus on Store:

We intend to invest capital in our store network and plan to renovate approximately 20% to 25% of the network over the next three years. Discount store expansion and Own Brands enhancement will also remain key focus areas.

Enhanced Focus on Digital and Data:

Our focus on digital and data will include continued e-commerce expansion with Voilà, loyalty through Scene+, personalization, improved space productivity and the continued improvement of promotional optimization.

Efficiency and Cost Control:

- Beyond fiscal 2023, the Company will continue to focus on driving efficiency and cost effectiveness through initiatives related to strategic sourcing and supply chain productivity.



Project Horizon Success



We have successfully completed our three-year growth strategy. At the end of fiscal 2023...

We realized significant benefits from: (1) The store renovation program; (2) New store expansion; (3) Promotional optimization and data analytics; (4) Expansion of Voilà, our grocery e-commerce; (5) New loyalty program *Scene+*; (6) Personalization of customer offers; (7) Growing and enhancing the Own Brand portfolio; (8) Generating strategic sourcing cost efficiencies and (9) Optimizing supply chain productivity.

Over the three-year timeframe, we achieved:

- ✓ **Our target of an incremental \$500 million in annualized EBITDA**
- ✓ **An EPS CAGR of approximately 13%**
- ✓ **An increase in EBITDA margin of approximately 60 basis points**



Project Horizon initiatives will continue to provide benefits in fiscal 2024 and beyond, including *Scene+*, Personalization and a continued emphasis on developing the store network through renovations and new store expansion.

Through Project Sunrise and Project Horizon, we have delivered significant EBITDA and earnings growth...

We have comprehensively reset Empire's foundation, enhanced our data capabilities, deepened the understanding of our customers, and prepared the business to effectively capture emerging trends.

Amounts reflect IFRS 16 in Fiscal 2020 and beyond	Fiscal 2017 ⁽²⁾	Fiscal 2020 ⁽³⁾	Fiscal 2023	6-year Growth
Sales	\$23,806	\$26,588	\$30,478	4.2% (CAGR)
Gross Profit	\$5,707	\$ 6,633	\$7,793	5.3% (CAGR)
Gross Margin (%)	24.0%	24.9%	25.6%	160 bps
Adjusted EBITDA ⁽¹⁾	\$797	\$1,892	\$2,322	19.5% (CAGR)
Adjusted EBITDA Margin (%) ⁽¹⁾	3.3%	7.1%	7.6%	430 bps
Adjusted EPS	\$0.70	\$2.20	\$2.80	26.0% (CAGR)

(1) The adoption of IFRS 16 in F2020 had \$531 million positive impact on adjusted EBITDA.

(2) Fiscal 2017 is based on as-reported metrics and does not reflect the impact of IFRS 16.

(3) Fiscal 2020 has approximately 8 weeks of Covid-19 impact included.

Store Network Optimization

- The Company invested \$243.1 million and \$796.7 million in capital expenditures for the quarter and fiscal year ended May 6, 2023 (2022 – \$273.4 million and \$767.2 million) including renovations and construction of new stores, investments in advanced analytics technology and other technology systems, FreshCo stores in Western Canada and Voilà CFCs.
- For fiscal 2024, capital spending is expected to be approximately \$775 million, with approximately half of this investment allocated to renovations and new store expansion.

Number of locations Renovated/Converted

F21	F22	F23			
Total	Total	Q1	Q2	Q3	Q4
88	132	22	19	12	33

Sobeys, Windsor Street

BEFORE



AFTER



Fresh Co, Whitehorn

BEFORE



AFTER



Discount West Expansion

Empire expects to convert up to 25% of the 255 Safeway and Sobeys full-service format stores in Western Canada to the FreshCo banner.

Through the FreshCo expansion program, the discount business in Western Canada has been on a sharp growth trajectory, driven by store conversions and regional expansion.

In fiscal 2024, the Company expects to open an additional three FreshCo stores in Western Canada.

As at June 21, 2023:

44 stores open and operating:

- 16 in British Columbia
- 16 in Alberta
- 6 in Manitoba
- 5 in Saskatchewan
- 1 in Northern Ontario



Voilà Timeline

F2019 January 2018

- Sobeys signs agreement with Ocado to bring world’s leading online grocery delivery solution to Canada.
- Central Fulfilment Centre (“CFC”) #1 announced in the GTA.



F2020 May 2019 – CFC #2 announced in Montreal.

F2021 June 2020 – Voilà by Sobeys launches for GTA customers. (CFC #1)

September 2020 – Launched curbside pickup service, starting in Nova Scotia.



F2022 November 2021 – E-commerce option available for customers in every province.

January 2022 – Ocado announces new innovations, including next generation robots and grids, to be considered for future CFCs⁽¹⁾.



March 2022 – Voilà par IGA launches for Quebec customers. (CFC #2)

April 2022 – Voilà by Sobeys expands to Ottawa via Spoke facility from CFC #1.



F2023 May 2022 – Voilà par IGA rollout completed, now services 100+ municipalities from Gatineau to Montreal to Quebec City.

F2024 June 2023 – Calgary CFC began deliveries servicing the majority of Alberta.

July 2023 – Grocery Gateway will be merged into Voilà

C2025 Greater Vancouver CFC to open

(1) For more information on Ocado’s announcement and a replay of their event, please click [here](#).

Scene+

Launched *Scene+* in the Quebec banners and Thrifty Foods, marking the final phase of Empire's national roll-out.

- Empire is a co-owner of *Scene+* along with Scotiabank and Cineplex.
- *Scene+* rollout in Empire banners began with stores in Atlantic Canada in August 2022, then stores in Western Canada in September 2022, Ontario in November 2022, and Quebec & Thrifty Foods in March 2023.
- *Scene+* is anticipated to be incremental to sales and earnings in Empire's first year operating the program.

+13M

Scene+ now has over 13 million members.

+3M

Over three million new members have joined since *Scene+* launched at Empire.



Empire's Executive Committee



Michael Medline
President &
Chief Executive Officer



Pierre St-Laurent
Chief Operating Officer



Vivek Sood
Related Businesses



Matt Reindel
Chief Financial Officer



Bruce Burrows
Chief Information Officer



Simon Gagné
Chief Human Resources Officer



Sandra Sanderson
Marketing



Doug Nathanson
EVP, Chief Development Officer & General Counsel



Mohit Grover
Innovation, Sustainability



Julie van Wyck
Chief of Staff & Head of Corporate Strategy and Development



Sarah Joyce
E-commerce



Mike Venton
Discount Format



Bonnie Birollo
Retail Operations



Luc L'Archeveque
Chief Merchandising Officer



Andrew Walker
Communications & Corporate Affairs

Disclaimers

Forward-Looking Information

This document contains forward-looking statements which are presented for the purpose of assisting the reader to contextualize the Company's financial position and understand management's expectations regarding the Company's strategic priorities, objectives and plans. These forward-looking statements may not be appropriate for other purposes. Forward-looking statements are identified by words or phrases such as "anticipates", "expects", "believes", "estimates", "intends", "could", "may", "plans", "predicts", "projects", "will", "would", "foresees" and other similar expressions or the negative of these terms.

These forward-looking statements include, but are not limited to, the following items:

- The Company's plans to purchase for cancellation Class A shares under the normal course issuer bid, which may be impacted by market and macro-economic conditions, availability of sellers, changes in laws and regulations, and the results of operations;
- The Company's aim to increase total adjusted EPS through net earnings, growth, and share repurchases, as well as its intention to continue improving sales, gross margin (excluding fuel) and adjusted EBITDA margin, all of which could be impacted by several factors including a prolonged unfavourable macro-economic environment and unforeseen business challenges, as well as the factors identified in the "Risk Management" section of the fiscal 2023 MD&A;
- The Company's plans to further grow and enhance the Own Brand portfolio, which may be impacted by future operating costs and customer response;
- The Company's plan to invest capital in its store network including store expansions and renovations and renovate approximately 20% to 25% of the network over the next three years which could be impacted by cost of materials, availability of contractors, operating results, and other macro-economic impacts;
- The Company's expectation that it will continue its e-commerce expansion with Voilà, which may be impacted by future operating and capital costs, customer response and the performance of its technology provider, Ocado;
- The Company's expectation that it will continue to focus on driving efficiency and cost effectiveness initiatives which could be impacted by supplier relationships, labour relations, and other macro-economic impacts;
- Management's expectations regarding the scope and impact of the Cybersecurity Event, and the estimate of the impact on its financial results in 2024. These statements and expectations may be impacted by several factors including the nature, amount and timing of the insurance outcome;
- The FreshCo expansion in Western Canada and Farm Boy expansion in Ontario, including the Company's expectations regarding future operating results and profitability, the amount and timing of expenses, the projected number of store openings, and the location, feasibility and timing of construction, all of which may be impacted by construction schedules and permits, the macro-economic environment and labour relations;
- The Company's expectations regarding the amount and timing of expenses relating to the completion of any future CFC, which may be impacted by supply of materials and equipment, construction schedules and capacity of construction contractors;
- The Company's plan to integrate Voilà and Grocery Gateway may be impacted by pre-existing supplier relationships;
- The Company's expectation of the impacts of cost inflationary pressures, which may be impacted by supplier relationships and negotiations and the macro-economic environment;
- The Company's expectation of incremental sales and earnings contribution from Scene+ in the first year of operations, which may be impacted by unforeseen business challenges and other factors; and
- The Company's expectations on the timing of the disposition of 56 retail fuel sites in Western Canada, which may be impacted by regulatory approval and closing conditions.

By its nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks, uncertainties and other factors which may cause actual results to differ materially from forward-looking statements made. For more information on risks, uncertainties and assumptions that may impact the Company's forward-looking statements, please refer to the Company's materials filed with the Canadian securities regulatory authorities, including the "Risk Management" section of the fiscal 2022 annual MD&A.

Non-GAAP Financial Measures & Financial Metrics

There are measures and metrics included in this news release that do not have a standardized meaning under generally accepted accounting principles ("GAAP") and therefore may not be comparable to similarly titled measures and metrics presented by other publicly traded companies. The Company includes these measures and metrics because it believes certain investors use these measures and metrics as a means of assessing financial performance.

In addition, management adjusts measures and metrics, including operating income, EBITDA and net earnings in an effort to provide investors and analysts with a more comparable year-over-year performance metric than the basic measure by excluding certain items. These items may impact the analysis of trends in performance and affect the comparability of the Company's core financial results. By excluding these items, management is not implying they are non-recurring.

For a more complete description of Empire's non-GAAP measures and metrics, please see the section headed "Non-GAAP Financial Measures & Financial Metrics" in Empire's MD&A for the fourth quarter and fiscal year ended May 6, 2023 available on SEDAR at www.sedar.com, which section is incorporated by reference into this press release.