Scotiabank
Back to School Conference
September 20, 2016
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.

By its very 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 Company’s Annual Information Form and Annual MD&A.

Although the Company believes the predictions, forecasts, expectations or conclusions reflected in the forward-looking information are reasonable, it can give no assurance that such matters will prove to have been correct. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. Forward-looking statements do not take into account the effect of transactions occurring after the statements have been made on the Company’s business. The forward-looking information in this document reflects the Company’s current expectations and is subject to change after this date. The Company does not undertake to update any forward-looking statements that may be made by or on behalf of the Company other than as required by applicable securities laws.
Empire at a Glance

**Sales ($ in billions)**
- Fiscal 2007: $13.4B
- Fiscal 2016: $24.6B

**Adjusted Net Earnings from Continuing Operations ($ in millions)**
- Fiscal 2007: $200.1M
- Fiscal 2016: $410.2M

**Book Value ($ per share)**
- Fiscal 2007: $10.77
- Fiscal 2016: $13.33

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**N°. 2**
- Second largest food retailer with annualized sales in Canada of ~$24.6B & over 1,800 stores in 10 provinces

**GROWTH**
- Significant coast to coast presence

**PHARMACY**
- 348 in-store & 75 freestanding pharmacies

**WHOLESALE**
- Largest wholesaler in Canada & our two automated DCs position us well for future growth

**FUEL**
- Over 350 retail fuel locations under Fast Fuel, Safeway gasoline, & Shell banners

**REAL ESTATE**
- 41.5% equity interest in Crombie REIT & ~40% equity interest in Genstar
Our Competitive Advantages

RIGHT FOCUS
- Health, convenience and value are becoming more important than just price
- Differentiated through Better Food for All
- Partnership with Jamie Oliver

RIGHT STORES
- More than 750 full service stores
- Stores at high standard owing to consistent reinvestment
- New and expanded/renovated stores yielding high same-store sales growth

RIGHT MARKETS
- One of only two national food retailers
- Strong presence in every region

IN-STORE EXECUTION
- Our full service culture is not easily replicated
- Strong corporate culture and highly engaged staff
- Franchisees and affiliates have aligned goals

LOGISTICS & DISTRIBUTION
- Two highly scalable, state of the art, fully automated DCs and a third being constructed
- Fully integrated SAP capabilities coast to coast
- Modern, fully integrated POS infrastructure
Q1 Fiscal 2017

- Sales of $6.19 billion
- Same-store sales excluding fuel decreased 1.2%
- Adjusted EBITDA of $243.1 million
- Adjusted net earnings of $73.6 million
- Adjusted EPS (fully diluted) of $0.27
Safeway Integration – What Went Wrong

• Pace and number of changes made in the West
  • Safeway Club Card
  • Produce procurement transition from Safeway USA
  • Private label transition to Sobeys Compliments brand
  • People transition

• Downturn in the economy
  • Alberta and Saskatchewan impacted by oil prices
  • Elevated unemployment in Western economy
In the short term we are focused on the following three key areas:

1. **Building sales:** Erosion of sales is the primary driver behind the challenges we have faced over the past 15 months.

2. **Reducing costs:** Optimize costs in order to maximize investment in top line.

3. **Focusing on execution:** Focus on strengthening the fundamentals at retail in order to optimize our customers shopping experience.
Building Sales

• **Simplified Buy & Sell**: Restructuring centre store pricing structure reducing our reliance on promotional spend and improving our everyday shelf price competitiveness

• Roll out of the *Simplified Buy & Sell* initiative in the West and Québec with plans to roll out in Atlantic Canada next

• *Simplified Buy & Sell* consists of two elements:
  
  • Change how we manage cost and trade spending by redefining our relationship with suppliers allowing for improved cost transparency and better category management

  • Investing in regular prices to become more competitive everyday

    • Targeted mix between products sold at regular price and products sold on promotion
95% of our target customer will be exposed to our campaign over 33 times.
• **Focused capital investment:** Capital investment focused on improving the in-store offering
  • Investing capital in stores with a focus on immediately impacting the customer’s experience
  • Less capital allocated to major projects and more capital towards touching a greater number of stores
  • Focus on projects that will not adversely impacting the customer’s experience
Reducing Costs

• Strategically working with suppliers through *Simplified Buy & Sell*
• Cost stewardship initiatives
• Distribution centre network rationalization
  • Vaughan distribution centre expansion to be completed by January 2017
  • By early fiscal 2018 will have reduced the number of distribution centres in Western Canada from 18 to 10
Renewed Focus on Store Level Execution

• Back to basics – Putting customers first and providing a great experience at store level

• Focus on strengthening the fundamentals at the retail store level in order to provide a great shopping experience

• While strategic initiatives are critical to help reset our value proposition to our customer and see the return of long-term profitable growth, we can not lose sight of daily store level execution
Why Invest in Empire?

- Long-term growth with the Canada Safeway acquisition
- Commitment to *Better Food for All*
- Diversified sales, earnings and growth opportunities across Canada
- Undervalue compared to competitors
- Modern and scalable infrastructure