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PRESENTATION

Operator

Good afternoon, ladies and gentlemen. My name is Sally (phon), and I will be your conference Operator today. At this time, I would like to welcome everyone to the Empire Company Limited's First Quarter Results 2015 Conference Call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press *, then the number 1 on your telephone keypad. If you would like to withdraw your question, press the # key. Thank you.

I will like turn the meeting over to Mr. Stewart Mahoney, Senior Vice President, Treasury and Investor Relations. Please go ahead, sir.

Stewart Mahoney — Senior Vice President, Treasury and Investor Relations, Empire Company Limited

Thank you, Sally, and good afternoon and thank you for joining us, everyone. Our comments today will focus primarily on the financial results of the first quarter ended August 2nd. Following our comments we'll then be open to your questions.

This call is being recorded in live audio on our website at www.empireco.ca.

Joining me on the call this afternoon are Marc Poulin, President and Chief Executive Officer; François Vimard, Chief Financial and Administrative Officer; and Clinton Keay, Executive Vice President of Finance.

Today's discussion include forward-looking statements. We want to caution you that such statements are based on management's assumptions and beliefs.

These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. I refer you to our news release and MD&A disclosure for more information on these assumptions and factors.

I will now turn the call over to François, who will provide a review of Empire's financial results, and Marc will then discuss Sobeys.

François Vimard — Chief Financial and Administrative Officer, Empire Company Limited

Thank you, Stewart, and good afternoon. Consolidated sales in the first quarter were 6.2 billion, an increase of 1.6 billion, or 35.4 percent. The growth in sales is primarily due to the sales fromSafeway operations and food inflation, offset by increased competitive square footage in the market and ongoing competitive intensity.

Sobeys' same-store sales growth were 1.3 percent in the quarter. Sobeys gross profit for the quarter was 1.5 billion, an increase of 508 million, or 49 million percent compared with the same period last year.

First quarter gross margin increased 225 basis points to 24.84 percent compared to 22.69 percent for the first quarter ended August 3, 2013. The increase in gross margin was significantly impacted by the gross profit contribution related to the Safeway operations, but also by synergies related to the acquisition, inflation, and highly promotional environment.

In the first quarter we realized synergy of 28.2 million related to the acquisition. So we are well on track to achieve 100 million in annual run rate synergy by the end of the first year of the acquisition.

Consolidated EBITDA in the first quarter was 342.7 million compared to 222.2 million in the first quarter last year, an increase of 120.5 million, or 54.2 percent. EBITDA margin increased to 5.51 percent from 4.84 percent last year, a 67 basis point improvement. After adjusting for items which are considered not indicative of underlying business operating performance, consolidated adjusted EBITDA for the quarter was 344.7 million, an increase of 112.4 million, or 48.4 percent over the first quarter last year.

Finance cost net of finance income in the first quarter was 43.8 million, up 29 million over last year due to the increased debt level as a result of the financing for the Canada Safeway acquisition. This was 3.8 million lower than in the fourth quarter, largely reflecting a reduction of over 1 billion in funded debt since the acquisition.

The Company's effective income tax rate on continuing operations for the 13 weeks ended August 2, 2014, was 25.3 percent compared to 24.6 percent in the same quarter last year. The increase was primarily due to the timing of the realization of tax benefits compared to the same period last year.

In the first quarter, Empire recorded adjusted net earnings from continuing operations net of noncontrolling interest of 131.7 million, or $1.43 per diluted share, compared to 89.7 million, or $1.32 per diluted share—that's $1.32 per diluted share last year—based on 92.4 million shares outstanding versus 68.2 million last year.

With respect to our overall consolidated financial condition, at the end of the first quarter Empire consolidated ratio of funded debt to total capital was 35.5 percent compared to 38 percent last quarter. Cash and cash equivalents equalled 390.2 million. Free cash flow was 391.3 million in the quarter versus 68.2 million last year.

Now I would like to make two remarks on Empire investments and other operations, largely comprised of our equity interest in Crombie REIT and Genstar. On the residential property side, Genstar contributed operating income of 8 million in the first quarter compared with 3.1 million last year. Crombie contributed operating income of 7.3 million versus 6.7 million last year.

Total adjusted net earnings for continuing operations from investments and other operations in the first quarter were 9.6 million compared with 3.4 million last year.

At the end of the first quarter, the fair value of our 41.4 percent equity accounted ownership interest in Crombie REIT, 39.3 percent fully diluted, was 717.2 million on a carrying value of 369.4 million.

I'll now turn to our CEO, Marc Poulin.

Marc Poulin — President and Chief Executive Officer, Empire Company Limited

Thank you, François, and good afternoon, everyone. Our 35.4 percent growth in consolidated sales and 48.4 percent growth in adjusted EBITDA from the first quarter last year largely reflects the contribution of Safeway operations, synergies realized from the acquisition, as well as sell and merchandising initiatives, including new initiative commercial program as part of our strategy to help Canadian Eat Better, Feel Better, and Do Better.

During the quarter, the market remained highly competitive, and we continued to be price competitive to ensure we keep our position in the market. Our same-store sales for the quarter benefitted from higher levels of food inflation than we have experienced in the past 12 months coupled with the continued investment in our retail network and ongoing sales and merchandising initiatives. During the quarter, we estimated internal food inflation to have been just above 2 percent.

The increase of 47 percent in Sobeys' adjusted EBITDA and 42 basis points in adjust EBITDA margin largely reflects the impact of the Canada Safeway acquisition and our ability to realize synergies. I'll now provide some highlights on our progress with our integration of the Safeway business and also on cost reduction.

We continue to make good progress on our goals and critical milestones for the Safeway integration as we near the one-year anniversary of the deal closing. As you know, our focus for the first 18 months is on the adoption of SAP functionality into Safeway's IT infrastructure with conversion of transactional systems in each functional area.

Our synergy work progress in each functional area is going as planned. During the quarter, we successfully transitioned three more Safeway retail support centres to our EXE warehouse management system, which brings us to six being completed, with four left to be converted. Almost half of the Safeway stores have been converted over to our technical system.

Overall, we remain confident in our ability to deliver 100 million of annual run rate cost synergies at the end of the first year, and 200 million in annual run rate cost synergies at the end of the three-year period.

On cost reduction, we continue to focus on optimizing our operational efficiencies and reducing costs wherever possible across the organization. During the quarter, we entered into an agreement to sell four dairy manufacturing facilities in Western Canada to Agropur for 356 million, which will be used to reduce debt.

In conjunction with the sale of these facilities, we've secured long-term supply agreements with Agropur, which will enable us to expand the Lucerne brand throughout the store network in Western Canada.

We issued 300 million in floating rate notes during the quarter and used the proceeds to pay down higher-cost funded debt associated with the Safeway acquisition, which reduces our net finance cost.

During the quarter, we closed 23 of the approximately 50 underperforming stores announced in June. We expect earnings to improve once all these stores have been closed. We continue to successfully roll out our new programs, which are clearly resonating with customers. We have seen strong same-store sales growth in stores where we launched these programs, as well as in stores which deliver on our Better Food For All mission.

Going forward, we plan to continue the rollout of these new and innovation programs into our stores in order to improve and further differentiate our offer. We remain confident that we will continue to profitably grow the business. Our long-term growth prospects remain firmly intact.

We are now happy to respond to your questions.

Q&A

Operator

At this time, we would like to remind everyone in order to ask a question, press *, then the number 1 on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from the line of Perry Caicco with CIBC World Markets. Your line is open.

Perry Caicco — CIBC World Markets

Thanks. On the same-stores sales number, could you give us some indication where same-store traffic and same-store basket were in the quarter?

François Vimard

Yeah. Perry, overall, the transactions were a bit down during the quarter, but we saw increase on the basket side.

Perry Caicco

And can you give us any indication how the Safeway stores specifically fared on same-store sales in the quarter?

Marc Poulin

We are not reporting numbers on Safeway specifically anymore. We are more managing our business overall by the overall Western business. As you know, between the store divestiture, the closures of stores and everything else, we really have to take a look at the Western market overall. That's our approach from now on.

Perry Caicco

So when you look at that Western market overall, how will you organize the division at this point? And what's the future of having two banners in that market?

Marc Poulin

So we still haven't made any work in turns of actually integrating the businesses from a personnel point of view. As you can anticipate, we are waiting for the full implementation of our systems to do so.

And as far as the banners are concerned, we haven't reached a point where we've made a decision, as there's no—the first 18 months of the integration, as you know, Perry, are dedicated to IT infrastructure. So at this point there's no need for us to reach a decision as nothing has really changed from a customer perspective between the two stores, but that's starting to change as of tomorrow.

As you know, tomorrow we're launching Air Miles in Sobeys, Sobeys Liquor and IGA stores in Western Canada, and we did launch Air Miles in Thrifty stores yesterday.

Perry Caicco

So just to clarify that, while you kind of examine the idea of the different banners, how do you position a Sobeys store that's near a Safeway store? And how are they differentiated to the customer at this point?

Marc Poulin

At this point Safeway stores operates as Safeway stores and the way they used to operate, and Sobeys stores operate as Sobeys stores as the way they used to operate. There hasn't been any work done that's actually customer facing at this stage.

Perry Caicco

And just to—this will be the last question down this path—so what changes have you made in the Safeway stores since you took them, other than the loyalty program? And how do you see that banner being repositioned over the next couple of years?

Marc Poulin

So in the Safeway stores, obviously the loyalty program didn't change because they use the Air Miles; they're still Air Miles. It's going to be a change on the Sobeys side starting tomorrow.

In terms of the actual offers it's the same team that currently—and they basically engage in normal merchandising activities that we would have engaged on in the past; maybe with greater freedom that's being dictated by the US on what program they could launch or not. So they changed applied (phon) format, for example, in the Safeway business, and that's something they always wanted to do but felt like they did not get the go ahead to do it in the past.

But they're doing as a group what they would have normally done, and that didn't really change. They're introducing new programs. That being said, they're part of Sobeys, and therefore they're part of our strategy to be the champions of the affordable better food movement, and in that regard that positioning and that strategic thinking of the Company is clearly influencing the merchandising decisions they are taking.

Perry Caicco

Okay. Thank you.

Operator

Your next question comes from the line of Michael Van Aelst with TD Securities. Your line is open.

Derek Lessard — TD Securities

Thanks, guys. It's actually Derek standing in for Mike. A couple of questions; what would you say Sobeys' EBITDA would have been if you hadn't made the acquisition? Because based on our numbers, we think that it's down quite significantly, and maybe if you could add some colour there to the drop in the possibility? And just a follow-up to that, Safeway seems to be down even more, so on a pro forma basis just wondering what's the difference between Safeway and Sobeys.

Marc Poulin

Well, there's something I don't get because if you say Safeway is down even more than Sobeys is down than our results are up, where else is the money coming from?

Derek Lessard

Right. Talking on a pro forma without the Safeway business.

François Vimard

Yeah. Clearly, (unintelligible) what would be the results without any Safeway. As you can imagine, a lot of things that have changed over a year. So that's not something we can comment on. What we're telling you is you feel that there's a downturn in the business. What we're saying is compared to the last two, three quarters we feel an uptrend in the business, and that shows in the overall results we have.

Derek Lessard

Okay. And maybe the $20 million synergy number, is that a run rate? Or is there some catch-up or retroactive items in that number that would have boosted it?

François Vimard

No. There's no specific catch-up. It's a good average of what the quarter should deliver at this stage.

Derek Lessard

Okay. And then just one final question; pre-synergies, it looks you were able to keep SG&A pretty close to flat. What are you guys doing to control SG&A and do you think it's sustainable?

François Vimard

We have many activities, as you know, not only on the Safeway side because most of the synergies coming out this stage are a forecoming (phon) basis. The SG&A part is going to come later on, but also in the rest of our business we have many activities. I mean, as you know, we have announced the expansion of our Vaughan DC in Ontario, and so we have many of those activities we do at store level or warehouse level to improve SG&A.

So the trend you have seen over the past two years of SG&A at Empire and Sobeys will continue.

Derek Lessard

Okay. Thanks, guys.

Operator

Your next question comes from the line of Patricia Baker with Scotiabank. Your line is open.

Patricia Baker — Scotiabank

Thank you very much. I have two questions. First, a very simple one; you referenced and it was highlighted in the press release as well, but emphasized that this is all taking place in the context of what is still a very competitive environment. Can you comment either François or Marc on whether that competitive environment, the intensity is similar to what we saw in Q4? Or whether it has been exacerbated? Or we're just dealing with pretty much the same conditions?

Marc Poulin

I wouldn't say that it's as exacerbated. I think, actually I would say stabilizing on that front…

Patricia Baker

That's a good word.

Marc Poulin

If I look on an average perspective, obviously unfortunately in such an environment it's a week-to-week battle and the weeks are unevenly distributed between very competitive to somewhat competitive, but clearly nothing is safe.

Patricia Baker

Okay. But stabilizing is a good word to use?

Marc Poulin

On average, I would say so.

Patricia Baker

Okay. And then Perry asked most of the questions on Safeway and I do understand that you don't want to give us much specific colour around Safeway. But if I understand it, and I think you referenced it when you talked about giving them a little bit more freedom now, then one of the opportunities longer term is for them, for you guys and the Safeway management to be able to execute that business in a manner that really is not so much conserving cash at margin, but really driving a better top line and really being more customer-centric. At what point will you get to where they will have—will really be affecting that greater ability to the run business differently than they have over the course of the past five or six years?

Marc Poulin

We're clearly seeing this as a step that will start after the systems are fully converted. To be honest, at this stage there's so much we can ask from that team…

Patricia Baker

Mm-hmm.

Marc Poulin

And the team has been incredible. I mean the Safeway team, kudos to the team because there's a lot going at them right now. I don't know if people realize, but we switched over half the POS systems in the stores; we switched more than half the warehouse management systems in the warehouses; we're in the process of training everybody in Calgary on new systems; we switched the financial systems to SAP. I mean this in a very short period of time is quite an accomplishment, and at the same time the team managed the business and continued to manage the business to satisfy our customers.

So starting to overlay things on that would be totally unrealistic, and that's why we have this disciplined approach. The first 18 months are about systems, the next 18 months are about actual integration, and it's at that stage that you will actually see customer-facing interaction starting probably with the harmonization of SKU base between the two businesses, private label harmonization. Those are probably the first things that will be customer facing.

We're glad to show that already some Compliments products are showing up on Safeway shelves, and they're doing quite well actually.

Patricia Baker

Okay. Thanks. That's very helpful, Marc.

Operator

Your next question comes from the line of Peter Sklar with BMO Capital Markets. Your line is open.

Peter Sklar — BMO Capital Markets

Okay. Thank you. Can you give us an update on the shrink issue you had the last couple of quarters related to your fresh repositioning of the Sobeys banner?

François Vimard

Yeah. Peter, clearly as we have said in Q4, we're starting to see some improvement with that shrink element that we had in Q3. I would say that at this stage we can feel that we are at the same level we were in Q1 last year, so back at the more normal level, but still as you know, we have even more work to do because we continue to roll out more programs. So the improvement was mainly made on the shrink side, but we continue to focus on it.

Peter Sklar

Okay. And my next question is in terms of cost of grocery inflation related to foreign exchange and this rise in protein prices, where do you think you are in terms of passing through the cost of grocery pressures? I mean you did report, I believe earlier in the call, you had about 2 percent retail inflation. So it seems you're having some success passing through those cost pressure, but where are you? Are they partially passed through? Or is there still a long way to go?

Marc Poulin

So obviously—well, first produce and currency impact is lesser in the summer than it is in other times of the year because there's lots more local produce, so that's obviously better for—not as much impact on this.

That being said, on the protein side, as you mentioned, we've been successful in passing some of that through. As you can expect, in any sudden shift in commodities like this one there's always a lag between your ability to pass it through and the actual occurrence, and as the quarter progressed things have got better on that front.

Peter Sklar

Okay. And then just lastly, can you comment on there was that decision by the BC Supreme Court where you're now allowed to utilize your loyalty program in the pharmacy. Did that have any positive impact on the quarter? It's not clear to me how much of a period there was when you were not allowed to use the loyalty program in the pharmacy.

Marc Poulin

Well, yeah, I don't know the exact date of the judgment; we can retrieve for you. Clearly on this quarter minimal impact because we did reinstitute the program within a week for our customers.

That being said, there are a number of customers who transferred their files and they'll have to get reacquainted to the fact that we do offer 7 times Air Miles on prescriptions in the province. So we will obviously work in terms of communication. And as you know, we are instituting 7 times Air Miles in BC in our Thrifty Foods business as of yesterday.

Peter Sklar

Yeah. But do you recall, Marc, if you did have a noticeable fall off in the pharmacy business at Safeway in BC during that…

Marc Poulin

Yes. No, we did suffer quite a bit because of that judgment, and unfortunately as is usually the case in those circumstances, you lose it fast and it takes time to recover.

Peter Sklar

Okay.

Marc Poulin

And the date was July 28th, so as our quarter ended August 2nd, you can imagine it did not much impact on this quarter.

Peter Sklar

Right. Okay. Thank you for your comments.

Operator

The next question comes from the line of David Hartley with Credit Suisse. Your line is open.

Marc Poulin

Maybe not.

David Hartley — Credit Suisse

Hi. Sorry, I was just on mute. Thank you. I was just wondering if you can characterize the synergies in dry goods at a store—and not synergies, sorry, the inflation—that you're seeing nowadays? Has it kind of come back to zero? Or has it kind of gone below 1 percent where I think we were seeing it before negative 1 percent?

Marc Poulin

So I would say that most inflation/deflation impact on standard store is the result of competitive pressure between grocers and not from storage cost increases.

David Hartley

And is it at around that 1 percent level? Can you characterize that a bit?

Marc Poulin

Yeah.

François Vimard

The grocery is closer to 1 percent…

Marc Poulin

Closer to 1 percent.

François Vimard

Most of the inflation can be more on that fresh at the stores (phon).

David Hartley

Okay. So it is a positive number now; it's not deflation?

François Vimard

It's not deflation.

David Hartley

Okay. That's good to know. Just wondering about the synergies in the quarter; could you kind of give us any colour you can on where those synergies kind of came from? Were they kind of onetime? I assume they're recurring synergies, but was there anything in there that was kind of more onetime in nature?

Marc Poulin

No, mainly recurring synergies mainly around procurement, be it on grocery or pharmacy benefits. We have a little bit of SG&A benefits associated with the simplification of the business in terms of corporate structure. We do have also a little bit of synergies here and there, but the two key areas are procurement, food and pharmacy.

David Hartley

Okay. That's good to know. And just last, just on Genstar and the future of Genstar. Where do you see your involvement with that business going forward or anything like that?

François Vimard

Like we said in the past, we don't foresee any investment we're going to need to do with Genstar. I think on the Genstar side we're going to continue to support the investment we currently have, and review (phon) the distribution based on the decision with the Genstar management will do. So we don't foresee like any capital requirements on that business, but more kind of cash inflow process.

David Hartley

Right. Thank you very much.

François Vimard

Pleasure.

Operator

Your next question comes from the line of Vishal Shreedhar with National Bank. Your line is open.

Vishal Shreedhar — National Bank

Thanks very much. I was just hoping you could comment a little bit on the synergies. You're already at 28 million in the quarter and that's above the run rate of 100, so that's three quarters in. I guess you said you'd hit that in Q4 or a level below that. I was just wondering if you're ahead of plan, and if there's any thought to revising your synergy target at this point?

François Vimard

No, at this stage I would say 28, like we said, and we were, what, 25 or 26 last quarter. It's a good amount, which is closer to 25, which is 100 million we're talking on the run rate, so we're not far from it at this stage.

The next stage, like Marc was saying, we'll go more towards a pure agenda (phon) on the distribution and anything like that, and that's going to require some time to get there. So at this stage we're feeling comfortable about 100 million run rate at the end of first year, but not going to increase that target

Vishal Shreedhar

Okay. And just a longer-term question here; in terms of CapEx, as the integration of Safeway winds down over years, as you noted, how should we think about your CapEx level? Does that go down as the integration goes down? Or…

François Vimard

I would say I think the movement you're going to see in our CapEx, we said we're going to spend around 600 million or 700 million a year, and the movement you're going to see is at the beginning fairly weak effect for IT and distribution with the integration of Safeway, but then you're going see a movement in that CapEx moving towards more retail at the store level. And so we always forecast that that's going to be the range of CapEx we're going to need going forward even after the integration.

Marc Poulin

Back to CapEx, we also indicated over time that there's going to be a shift in our CapEx from greenfield side that you can expect to be lesser and renovation expansion of existing stores. Clearly in the Safeway acquisition we put our hands on great assets, and our intent medium and long term obviously is to clearly benefit from the quality of that real estate to put a very compelling offer to our customers inside those four walls.

Vishal Shreedhar

Okay. So if I'm hearing this right, that 600 million to 700 million range we should kind of think about it in rough terms it's going to stick around for the foreseeable future?

François Vimard

Yeah. Good point, yeah.

Vishal Shreedhar

Okay. And just regarding business and store divestitures, do you feel like you're largely complete that at this point related to the acquisition?

Marc Poulin

Store divestiture is totally completed, as we just closed up our last store a while ago, so that's done. And obviously, as we said, we've closed 23 of the stores that we said we would close, but there are still a few more stores to come.

Vishal Shreedhar

Okay. Thank you very much.

Operator

Your next question comes from the line of Jim Durran with Barclays. Your line is open.

Jim Durran — Barclays Capital

Yeah. Just on the store closures with the 23 in the quarter, were they tail ended in the quarter? And are you prepared to give us a revenue impact of those closures?

François Vimard

They are tail end of the quarter, Jim, because as you know, we announced that at the end of June and we closed that at the end of June, and our quarter ended the end of July. So it was only one month in the quarter.

Jim Durran

Yeah.

François Vimard

And like Marc said, it's 23 and we—we'll still over the next two quarters, I would say, the final notations (phon) of that, most of it, but we don't provide any specific detail of the earnings impact we had.

Jim Durran

Okay. And on a broader basis with respect to asset sales, would you say you're done in terms of that exercise? Or there's still more to come?

Marc Poulin

Obviously the key assets that we've announced in the quarter is the sale of our milk business. As you can see from our balance sheet, we're well positioned in terms of debt repayment. We're well ahead of schedule in that front versus what we promised to the debt holders, the rating agencies, and the financial community after the acquisition.

So we're not in a position where we have to do asset sales to finance this transaction. That's not part of the plan. Now the question is will we sell or not sell assets? It's all a function of generating shareholder value, and looking at what would that provide us in terms of long-term competitive position in the marketplace?

For example, selling the milk asset, yes, we do welcome the additional dollars at full rate to repay back debt, but more importantly we position ourself well with a very good supplier in an important category for the long-term growth of the business. So that's the kind of approach we're taking to it. It's got to make financial sense for the shareholders, it's got to make commercial sense for our stores, and at the end of the day it's got to benefit the customers.

Jim Durran

Okay. And I just wanted to go back to the IT platform integration, right? And I don't want to misquote you, but you were indicating that 50 percent of the stores have been switched over. Does that mean they're running solely on SAP and the add-ons to SAP? Or are you running dual systems? Like how's that working now?

Marc Poulin

Well, currently we've switched 50 percent of the stores to our POS system, which is—okay, thanks for that plug—it's an NCR system, so all of the stores in the Sobeys network are running on that platform. Safeway didn't run the same POS system, but that's a prerequisite to implementation of the SAP platform into Safeway. As you can imagine, the central system communicates constantly with the POS system at store level.

Same thing in the warehouse management system, we need to switch over to EXE because EXE is the system that we use and that's the one that SAP is able to communicate through in our world, so that's a necessary step. So those are kind of prerequisites for implementation of SAP and of our suite of systems.

On the SAP side, the financial reporting suite is live, and we've been live on it for six months almost now, and now the trickiest part and the one that does require more training and more work is the merchandising system. And that's the one that will communicate to the other systems so that we can actually process pricing, process costing information from our suppliers.

It's also worth noting that because we work on a very integrated system, implementation of the POS system is also necessary to drive productivity enhancement software at store level, such as workforce management or shrink management capabilities or a computer-assisted ordering system. All those—all of our infrastructure of systems over the years we worked so hard, but it's all integrated and it may come from all kinds of different providers, but they are all under a common architecture. And that needs to occur for us to really be able to manage the business, and it's not as if we could do one and not the other. Everything works together.

Jim Durran

Great. Thanks, Marc. Appreciate it.

Operator

Your next question comes from the line of Keith Howlett with Desjardins Securities. Your line is open.

Keith Howlett — Desjardins Securities

Yes. I just wanted to ask some questions about some of your store formats. In the store closures there seemed to be a number of Urban Fresh stores, I think Edmonton and a couple in Toronto. And I'm just wondering, you were a leader on trying small format urban stores, so I'm just wondering if you can sort of characterize where you see the outlook for that sort of store format?

Marc Poulin

So yes, we're—I think we're—with leadership comes the word experiment, and we've learned from those experiments. Some stores did perform very well, and some others we learned that this is not the way to go with those stores. So the three closures that you referred to are part of that experimenting process, if you want to call it that way, but we are very pleased about other stores that are real contributors to the business.

That being said, you've given me a great segue to say that one of those stores in Toronto on Laird Street in the Leaside neighbourhood just got expanded and is going to have a grand reopening tomorrow on that store. And that store in its grand reopening will have significant elements of our Sobeys Extra format adapted to a smaller format of store.

So that, I think, if you are—if you have the chance to go and see I think it's going to be a very, very, very, very good store, and very interesting sort of customers in Leaside to shop in.

Keith Howlett

Well, I did have a question on the Sobeys Extra banner, the ones that you've put up, what your experience is with those so far? And how you think you can take that more broadly to the other stores?

Marc Poulin

So we're very pleased with customer reaction to these stores and it does show, obviously, in very positive sales numbers. And yes, we're expanding that format in new locations. We opened—it may not be called Sobeys Extra, but it's a Sobeys store, but in Newcastle neighbourhood of Edmonton we opened a store alongside that footprint, I guess, month...

François Vimard

Two months—yeah.

Marc Poulin

Few...

François Vimard

Six weeks ago…

Marc Poulin

Six or eight weeks ago...

François Vimard

Yeah.

Marc Poulin

And so we are—and we're currently renovating stores on that format too, so we are very pleased with the customer reactions to that format.

Keith Howlett

And just finally on the Better Food For All, it's a fairly nuanced message, and how is—how do you track whether consumers—well, maybe it's not nuanced, maybe it's just me, but how can you track whether consumers understand what it is you're trying to do?

Marc Poulin

Well, obviously there are numerous ways to look at it. There are the programs that are being influenced by just thinking and how customers are reacting to these new product introductions. We are also looking at how they're reacting to our spokesperson in the way he communicates to the customers from that, so we do validate the impactfulness of our communication with customers.

And overall, overall, where the brand is positioned, and I think, more importantly, we're also looking at how the people at store level are living it and have our customers live a different food experience, and that's also showing up in the way we look at our employees and the interaction they have with our customers.

So it's going on numerous fronts. It's—and yeah, you're right. It's not a slogan, it's not an advertising campaign. It's a positioning, and it's a willingness to—a purpose for 125,000 employees to deliver a better food experience to our customers so that Canadians can Eat Better, Feel Better, and Do Better.

Keith Howlett

Thank you.

Operator

Again, if you would like to ask a question, please press *, 1 on your telephone keypad.

Your next question comes from the line of Michael Van Aelst from TD Securities. Your line is open.

Derek Lessard

Yeah. Thanks. All my questions have been answered.

Operator

There are no further questions at this time. I'll turn the call back over to the presenters.

Stewart Mahoney

Thank you, Sally. Ladies and gentlemen, we appreciate your continued interest in Empire, and look forward to having you join us for our Q2 fiscal 2015 conference call on December 11th. Good-bye.

Operator

This concludes today's conference call. You may now disconnect.

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