FINAL TRANSCRIPT

Empire Company Limited

Fourth Quarter Results Conference Call

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PRESENTATION

Operator

Good afternoon. My name is Tiffany (phon), and I will be your conference Operator today. At this time, I would like to welcome everyone to the Empire Company Limited Fourth Quarter Results 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.

Paul Beesley, Executive Vice President and Chief Financial Officer, you may begin your conference.

Paul Beesley — Executive Vice President and Chief Financial Officer, Empire Company Limited

Thank you, Tiffany. Good afternoon, and welcome to the Empire Company Limited Fourth Quarter and Fiscal 2013 Year-End Conference Call. Thanks for joining us today.

Our comments will focus primarily on the financial results of the fourth quarter and fiscal year ended May 4, 2013. We will 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, from Empire Company Limited, Paul Sobey, President and Chief Executive Officer; and Stewart Mahoney, Vice President, Investor Relations and

Treasury. From Sobeys Inc. we have Marc Poulin, President and Chief Executive Officer; François Vimard, Executive Vice President; and Paul Jewer, Chief Financial Officer.

Today's discussion includes 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 for more information on these assumptions and factors.

This morning we released Empire's financial results for the fourth quarter and fiscal year ended May 4, 2013. Empire reported consolidated sales in the fourth quarter of $4.31 billion, a $235 million or 5.8 percent increase over last year.

Consolidated sales for fiscal 2013 were $17.61 billion, an increase of $1.36 billion or 8.4 percent compared to last year. Net earnings, net of controlling interest, in the fourth quarter were $107.4 million or $1.58 per diluted share compared to $92.1 million or $1.35 per diluted share in the fourth quarter last year.

Consolidated adjusted net earnings, net of non-controlling interest, were $98.6 million or $1.45 per diluted share in the fourth quarter compared to $89.6 million or $1.32 per diluted share in the fourth quarter last year. Net earnings, net non-controlling interest, for the 52 weeks ended May 4, 2013 were $384.8 million or $5.65 per diluted share compared to $339.4 million or $4.99 per diluted share for fiscal 2012.

After excluding items which were considered not indicative of underlying business operating performance, Empire recorded adjusted net earnings, net of controlling interest, of $367.3 million or $5.39 per diluted share in fiscal 2013 versus $322.7 million or $4.74 per diluted share last year.

Items which were not considered indicative of underlying business operating performance which impacted after-tax earnings during fiscal 2013 and last year include: first, Sobeys' organizational realignment costs of $6.7 million compared to $6.4 last year; second, a one-time charge from our equity accounted investment in Crombie REIT of 5.9 million in fiscal 2013; third, transaction costs for the Canada Safeway proposed acquisition of $4 million; fourth, Sobeys Quebec distribution network restructuring costs of $1.8 million compared to $2.1 million last year; fifth, dilution gains of $13 million compared to $7.3 million in fiscal 2012; and finally, a gain on disposal of assets of $22.9 million versus $17.9 million last year. These items are disclosed in the table in our news release, which reconciles reported net earnings to adjusted net earnings.

Empire's liquidity remains strong, with cash and cash equivalents of 455 million at the end of fiscal 2013, and unutilized bank lines in excess of $675 million. And our debt ratio continues to improve, with funded debt to total capital at the start of fiscal 2013 equal to 20.6 percent versus 25 percent at the start of the fiscal year.

I will now turn the call over to Paul Sobey.

Paul Sobey — President and Chief Executive Officer, Empire Company Limited

Thanks very much, Paul, and good afternoon, everyone. We are pleased with our fourth quarter and full year financial results, which reflect the continued solid performance of Sobeys and our related real estate businesses.

During the fourth quarter, Sobeys' sales increased 229 million or 5.7 percent to 4.24 billion. Excluding the impact of the sales related to the acquisition of 236 retail gas locations and related convenience store operations, Sobeys' reported sales grew by 2.3 percent in the fourth quarter. Sobeys same-store sales grew by 0.6 percent in the quarter.

For fiscal 2013, Sobeys reported sales of 17.35 billion, an increase of 1.32 billion or 8.3 percent from last year. Excluding the impact of the sales related to the acquisition of the previously noted retail gas and related convenience store operations, Sobeys' reported sales grew by 423 million or 2.7 percent over last year and during the fiscal year, same-store sales increased 1.3 percent.

Sobeys' fourth quarter adjusted operating income contribution to Empire was 120.7 million versus 118.6 million last year. For fiscal 2013, Sobeys' adjusted operating income contribution to Empire was 504.7 million compared to 465.6 million last year. Empire's investments and other operations recorded adjusted operating income contribution to Empire of 23.3 million in the fourth quarter versus 15.8 million in the same period last year.

Crombie REIT contributed equity earnings before one-time items of 6.4 million in the fourth quarter compared to 4.9 million last year, with cash distributions received from Crombie REIT in the quarter of 8.8 million versus 7.6 million last year. For fiscal 2013, Empire's investment and other operations recorded adjusted operating income contribution to Empire of 57.7 million compared to 48.3 million last year.

Crombie REIT contributed equity earnings before one-time items of 22 million in fiscal 2013 compared to 19.7 million last year. And during fiscal 2013, Empire received cash distributions from Crombie REIT of 33.4 million compared to 28.2 million in fiscal 2012.

At the end of fiscal 2013, the fair value of our 42.8 percent ownership interest in Crombie was 623 million on a carrying value of 195 million. It's worthy to note that the related real estate sales to Crombie in fiscal 2013 totalled 106 million versus 124 million in the same period last year.

Total gains in real estate sales to Crombie were 26.4 million in fiscal 2013 versus 26.6 million last year. And after factoring into adjustments on consolidations, this resulted in a pretax gain of 15 million, which was realized in fiscal 2013 compared to a gain of 12.4 million last year. For detailed information on Crombie REIT's performance, please see their latest quarterly release dated May 9th.

On the residential property side, Genstar contributed equity earnings to Empire of 13.7 million in the fourth quarter compared to 13.2 million last year. For the year, Genstar contributed equity earnings of 29.6 million compared to 30 million last year.

Now Marc will now provide his comments on the performance of Sobeys.

Marc Poulin — President and Chief Executive Officer, Sobeys Inc.

Thank you, Paul. First a few comments on Sobeys' financial results for the fourth quarter and fiscal year ended May 4, 2013.

Same-store sales grew by 0.6 percent in the quarter. Aggregate inflation was slightly below 1 percent in the quarter. Gross profit increased $12 million to 996 million in the fourth quarter, with gross margin declining 104 basis points to 23.46 percent from 24.50 percent last year due primarily to lower margins on the fuel business. Excluding the impact of lower margin fuel sales, gross margin was 24.7 percent compared to 25.34 percent last year. Sobeys' Q4 adjusted EBITDA contributions to Empire increased to 209.4 million from 202.3 million last year.

We continue to invest across the entire company in our store network and infrastructure. During the fourth quarter, Sobeys' CapEx totalled 155 million on new stores and large renovation, as well as land purchases. During the quarter, 16 corporate and franchise stores were opened or acquired, and one store was expanded. Free cash flow generation was $131 million in the fourth quarter.

Now a few comments on our full fiscal year results. Same-store sales grew by 1.3 percent in fiscal 2013. Gross profit increased 139 million to 4.01 billion, with gross margin declining 104 basis points to 23.14 from 24.18 last year.

Excluding the impact of lower margin fuel sales, gross margins was 24.36 compared to 24.53 last year. Sobeys' adjusted EBITDA contribution for fiscal 2013 increased to 848.9 million from 791.6 million last year.

Sobeys' fiscal 2013 adjusted net earnings contribution to Empire increased $36.4 million to 331 million. During fiscal 2013, Sobeys' CapEx totalled $508 million on new stores, enlargements, renovation, as well as land purchases. Forty-five corporate and franchise stores were opened or acquired, two stores were expanded, and seven stores were re-patterned in fiscal 2013. Sobeys generated free cash flow of 318 million in fiscal 2013 compared to 322 million last year.

Net retail store square footage increased by 556,000 square feet during fiscal 2013, with total square footage of 29.9 million square feet at the end of the year, a 2 percent increase from last year.

Now an update on some of our initiatives. The fourth quarter saw the business put the finishing touch on the SAP implementation and the final ramp up of the Terrebonne Quebec automated distribution center. With Terrebonne fully automated and in full swing, the Rouyn and Quebec City retail support centre have been closed. This will improve obviously our cost structure in the future.

The upgrade of our gas pumps at our Quebec Shell asset is now complete as well. Fuel sales have been strong, and cross merchandising of our food for fuel programs have been positive. Work will continue to enhance the cross-promotional capabilities of the Company.

In the fourth quarter there were improvements in the Sobeys' full service promotional mix store level merchandising and in-stock position, with grocery sales showing solid growth, largely as a result of improvement in assortment merchandising and our pricing programs.

Through these and other initiatives we are confident that we will continue to grow and excel in a very competitive environment.

Now over to you, Paul.

Paul Sobey

Thank you, Marc. Fiscal 2013 was a solid year. Consistent with our growth and our improvement in our financial position, we are pleased to announce an increase in Empire's quarterly dividend per share from $0.24 per share to $0.26 per share, an 8.3 percent increase. Now this marks the 18th consecutive year of Empire's dividend increases.

And we are also very energized by our June 12th announcement to acquire substantially all of the assets of Canada Safeway. This acquisition represents a highly strategic opportunity for Sobeys to leverage its existing asset base and effectively create a new platform for growth.

Our improved financial performance, as well as the opportunity to acquire Canada Safeway, would not have been made possible without the quality and the depth of talent that exists in our organization. And on behalf of management and our Board, we'd like to thank our employees, franchisees, and affiliates for their hard work and dedication, as their efforts have allowed us to capitalize on this exciting opportunity.

Their commitment to execute our strategy and provide our customers with a high quality offering with excellence in fresh food, supported by great service, continues to be a long-term strategic advantage for the Company.

We also announced this morning that the Company has reached a definitive agreement with Cineplex Inc. for the sale of 24 theatres in Atlantic Canada and two theatres in Ontario. The purchase price for the Cineplex transaction is 200 million to be paid in cash, subject to certain adjustments to be made at closing.

The Company also announced this morning that we reached a separate definitive agreement with Landmark Cinemas for the sale of 20 theatres in Ontario and Western Canada. The purchase price for the Landmark transaction was approximately 55 million, subject to certain adjustments to be made at closing.

The closing of the transaction with both Cineplex and Landmark are subject to customary conditions and relevant regulatory approvals, which includes approval from the Competition Bureau. Closing of both transactions is expected to occur by the summer of 2013.

And as we said in our release this morning earlier, the decision to sell Empire Theatres was a very difficult one, as it has a long history with the Company and it's a great business with excellent employees who have worked hard over many years to build an attractive entertainment destination.

The decision as difficult as it has been, however, aligns with the strategic direction of the Company to focus our resources on our food retailing businesses through our 100 percent in Sobeys Inc., and our related real estate investments through our ownership in Crombie REIT.

Now I guess we'll be happy to respond to your questions.

Q&A

Operator

At this time I would like to remind everyone in order to ask a question press *, followed by the number 1 on your telephone keypad.

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

Perry Caicco — CIBC World Markets

Thank you. Specific to the quarter, I wonder if you could break down the gross margin decline versus last year, excluding the fuel impact. How much of that was mix and how much was promotional weights, and what other factors might have been in there?

Marc Poulin

We usually don't disclose any information of that nature, and besides obviously mix is influenced by promotion and promotion influences mix, so honestly I don't know how I could answer it in a very precise fashion.

Perry Caicco

But why was it down?

Marc Poulin

The margins? Well, overall it's a very competitive market right now, and we have to adjust pricing to remain competitive and maintain our position in the marketplace. And our effort also is to always provide better value to our customers, and therefore when we are in a position to provide that value we will do so.

Perry Caicco

And how did the same-store sales trend during the quarter and coming out of the quarter?

Marc Poulin

Well, the same-store sales trend, as you saw obviously in the quarter, we had a softer same-store trend than previous quarters. And the market is extremely competitive, and I would also say that from a same-store trend perspective, it’s been very unpredictable from a consumer point of view. The consumers are fickle; they shop and, therefore, we see that they do shop numerous store locations, and the trend is difficult to predict.

Perry Caicco

And if I could, a question that’s sort of related to the Safeway transaction; obviously the key to the achievement of synergies going to be getting the purchasing operations lined up, let's say. I just wonder how efficient are your current core national buying practices?

Marc Poulin

Well firstly, the synergies are not only on that side, as you know. We've envisioned from the Safeway acquisition $200 million of synergies and those synergies are on numerous fronts.

Procurement synergies are clearly an element of that, but they're not the only element. It's part of a global strategy to achieve efficiencies from that acquired business. So I think that's an important point.

I think as an organization we obviously take great advantage of our ability to negotiate attractive promotions and attractive pricing for our consumers. And we work as an organization to—all parts of the organization together to try to achieve the best market position that we can.

Perry Caicco

I guess I'm asking are you as efficient as you could be?

Marc Poulin

We're never as efficient as we could be. That's the role of management, to strive for even more efficiency.

Perry Caicco

Okay. Just one last question specific to the Safeway transaction. Outside of any Competition Bureau issues, will there be opportunities to rationalize the entire Western network? I mean are there redundant stores and sites across the road from each other? How should we think about that?

Marc Poulin

It's way too early to tell. We need to first understand what will be the requirements of the Competition Bureau, and after that we'll do the proper announcement.

Perry Caicco

Okay. That's good for now. Thanks.

Operator

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

Jim Durran — Barclays

Yes. Good afternoon. Just thinking about SAP, so I would have expected that once Thrifty Foods was online on the SAP platform that we would have been into some opportunities for not just improved performance operationally, but also cost savings through headcount reduction. I would assume now, though, that with Safeway Canada on the horizon and an IT systems integration, I would assume, that some of the headcount opportunities may be delayed/deferred? Can you comment on that?

Marc Poulin

Well, I'll take—obviously it depends on how you—where you go and how you look about it. I mean SAP is an enabler from a process point of view. It allows us to either position certain functions differently, use different resources to perform some functions or at the same time redeploy some of our resources to more productive endeavours. So from that perspective, that's been enabled by our deployment of SAP and that will pursue its due course.

From an IT perspective, obviously we've had some resources that have been dedicated to the implementation of SAP, but we do have continuously numerous IT projects where we can improve on our and deliver programs to improve on our productivity. And obviously with the acquisition of Safeway we will have to rejuggle our planning in terms of the deployment of IT resources to allow us to bring the Safeway organization under our SAP platform.

Jim Durran

And how quickly do you expect to do SAP onto Safeway?

Marc Poulin

We have an 18-month agreement on a transitional service agreement basis. That will obviously start ticking from the day of the acquisition, so obviously it's our full intent to hit that milestone. And we will work with lots of energy to achieve the most rapid integration possible from a system point of view of the Canada Safeway business into ours.

Jim Durran

Okay. On the sale of the theatres, can you give us some idea as to how much earnings were going to be needing to take out of our forecast on the theatres business?

Paul Sobey

I think with the net proceeds, the redeployment of the proceeds, it's all factored into our modelling assumptions and, Stewart, you may...

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

Yeah. I'll just elaborate a bit. I think it's fair to say it's de minimis because as you can appreciate, Jim, the cash on closing will be used to reduce debt…

Jim Durran

Yeah.

Stewart Mahoney

And the underlying debt cost and so the net of that, it's very de minimis tempered (phon).

Jim Durran

Okay. And the last question, just very good results in terms of SG&A expense drain in the quarter. So how much of that had to do with the closing of the facility in Quebec City and the ramp-up of the new DC?

Marc Poulin

Well, to be honest, the quarter—this quarter the transition had not been completed. It was a quarter where a lot of the work was going on in terms of driving the—ramping up and ramping down the facility. We completed most of the work in Q1 but some—in the Q4, but some of that work had to be completed in Q1 of this year because there was still a DC open, for example. So we cannot say at this stage that Terrebonne is fully operational, but we're very close to it.

Jim Durran

And so how did you manage to keep the SG&A in check so well? Like is it just a combination of a bunch of circumstances? Or anything sort of significant and new?

Marc Poulin

Well, since I am the major shareholder in the room, I would say it's good management.

Jim Durran

Touché. Thanks, Marc.

Marc Poulin

Thank you.

Operator

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

Michael Van Aelst — TD Securities

Hi. Just to follow up on the DC and SAP implementation in Quebec, can you give us an idea of the timing and the type of savings you're expecting as we go through 2014 now?

Marc Poulin

I can give you an idea about timing. We're expecting that the DC at Terrebonne will be fully operational by the end of Q1 of this year, and SAP is fully operational in Quebec. So from that perspective we're there. About as far as the cost at this stage, we cannot tell.

Michael Van Aelst

Okay. If we take a look at the tonnage trend, I guess with inflation being just under 1 percent, I'd assume that means your tonnage was down very slightly. At the same time your gross margins were down, so I guess this just speaks to an increasing competitive pressure as the year goes on as your tonnage has slipped down into slightly negative territory?

Marc Poulin

Clearly the competitive pressures are very present. There's a lot of new square footage that's been added to the industry over the last years. We did also—been increasing our square footage ourselves, and there's been some cannibalization from our own stores, new store openings to our existing stores. So that's been also a factor in this number.

And then we have a consumer that, as I said, very fickle. There's a little bit of still—it's very difficult to get the consumer to spend dollars on it, and on a week-to-week basis or even quarters, there's extraneous factors that are not helping, so that's whether or otherwise there's always other factors.

So overall the tonnage, it's pretty much in line with inflation; not a lot of discrepancy on that front. It's clear that we hope that we will be able to put together plans that will reinject that into positive territory.

Michael Van Aelst

Okay. And just to clarify, did you say during the Safeway acquisition call that the 200 million in synergies was net of all the divestitures that you're planning on doing to help fund it?

Marc Poulin

Yes.

Paul Beesley

Yes.

Marc Poulin

It's run rate.

Paul Beesley

It's a run rate. Yeah.

Michael Van Aelst

Perfect. Thank you.

Operator

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

Patricia Baker — Scotiabank

Thank you, and good afternoon. Maybe this has been asked or I missed it in the...

Marc Poulin

Patricia, can you...

Unidentified Speaker

Speak up a little bit?

Marc Poulin

Speak up a little bit? Because we have a tough time hearing you.

Patricia Baker

Okay. I'm sorry. Can you hear me better now?

Marc Poulin

Much better.

Patricia Baker

Okay. Just one simple question. In the third quarter your sales were equally balanced by traffic and basket. What was the trend in the fourth quarter?

Marc Poulin

Well, slight weakness on the traffic compensated by slight increases on the basket side. The traffic trend, I have to admit, is something that we feel is industry wide, whereas we look at data we’re seeing a little bit less of cross shopping—not cross shopping, but less traffic from the consumers in the various stores, so less trips from the consumers. I think it's an industry trend. So those were the numbers for this quarter.

Patricia Baker

That makes sense, and it's consistent with what I'm hearing elsewhere. And just with respect to that, the basket, did the fourth quarter, did it accelerate any—the trading down that you might have seen from the consumer?

Marc Poulin

I would argue that the trend has been present all along then for this year, and it's not subsiding. It keeps being there. So it means that as retailers we have to be especially sharp to entice the customer to spend the extra dollar, and we've worked very hard at it with, to be honest, various degrees of success across the country. And this is a trend that's been going on for a year, and it keeps being a trend in our business right now that we have to worry about.

Patricia Baker

Thanks a lot, 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

Thank you. Just on the Target business, do you have any—I assume that you would have obviously been shipping to Target. I believe you're doing their ambient business. Would that have had a noticeable impact on your wholesale operations? And would it have a positive influence on earnings results for the quarter?

Marc Poulin

It's a negligible impact overall. As you know, they were ramping up their store network during that quarter and they're still opening new—planning to open new stores across the country. So given the size of our business, it's not something of any significance.

Peter Sklar

And just lastly I have a question on the Safeway Canada transaction. So when you close that acquisition you'll be required to write up the book value of the assets of Safeway Canada, and you'll incur additional depreciation as a result of that write-up. I think those are the rules for consolidation accounting. Are you in a position to communicate to us what the magnitude of the additional depreciation would be as a result of this write-up of the Safeway Canada assets?

Paul Jewer — Chief Financial Officer, Sobeys Inc.

No. It would be premature to do that at this stage, Peter. There will be some write-up, you're correct, on fair valuing of land and buildings, there will be some intangibles recorded, and the balance will go to the goodwill.

Peter Sklar

Right. So let me ask you this then, Paul. Like to the extent you do write up the depreciable assets, like would that be taken over 20 years? Is that a like a 10-year or a 20-year amortization?

Paul Jewer

It depends on which assets you're writing up and the write-up will be amortized over the useful lives of those assets.

Peter Sklar

But you don't have a sense where the bulk of the write-up will fall?

Paul Jewer

I don't at this point have a sense where the bulk of the write-up will fall.

Paul Beesley

Some of the write-up may, in fact, not be amortized.

Paul Jewer

That's correct. The goodwill obviously is not amortized, and a portion of the intangibles will not be amortized either.

Peter Sklar

Right. I understand that.

Paul Jewer

Yeah.

Peter Sklar

Okay. Thank you.

Operator

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

Keith Howlett — Desjardins Capital Markets

Yes. I was wondering, are you noticing any impact on your grocery stores near a Target?

Marc Poulin

To be honest, nothing that we can relate to these stores opening. I mean it's pretty much been the same as usual.

Keith Howlett

And then you've, I guess, experienced the Supercentre openings in Ontario, Alberta, and Quebec. Is there any significant difference on the impact you by those markets? Or is it similar in each market?

Marc Poulin

Well, on the market by—I think it's more on the store-by-store basis. I don't think we can say that it's in any province. It really depends on a store-by-store basis, and obviously geography is a factor, but also the operation that we have in that market and the overall competitive landscape. So I don't think there's a pattern that can be established, and we sure don't treat it as a broad stroke, but we apply marketing strategies on a market-by-market basis from that perspective.

Keith Howlett

And I was just wondering on the Club Sobeys and on the private label program, how are sales to Club members doing versus the overall same-store sales and how is private label doing?

Marc Poulin

They're following the general trend in the business on both counts.

Keith Howlett

So private label is no longer growing ahead of national brands particularly?

Marc Poulin

The growth in private label is—honest I'll have to relook at the exact number; not to put you in error. We're still seeing healthy growth in our private label program, but I would have to look at the exact numbers to come back to you. I don't have that top of head.

Keith Howlett

I just had a question on the Ontario market. It's very hard to tell from contextual reading of flyers or going to the stores, but is there some greater intensity of pricing? It seems that some categories like bananas and milk and things are on the downward. Is there any general trend? Or is it just shifting dollars from one category to another? Or is there any general depression going on say in the last month or so?

Marc Poulin

Month or so? Month or so I think overall you're seeing a very competitive market where people are playing their promotional cards real hard. But in Ontario and anywhere else in the country you're seeing that with—and it is true that in some cases we've seen promotions that we're not used to seeing.

On the other hand, overall—the retailers are trying to bring a surprise to the market on a weekly basis to try to drum up seller (phon) traffic and that's not—is it heating up? Is it—I think the market is getting very competitive, that's for sure, and it's the result of the fact that we have a fickle consumer and a lot of square footage being added to the marketplace.

Keith Howlett

Just a couple things looking forward. Do you think FreshCo is a concept that you would take out West given you're going to have a larger footprint out there?

Marc Poulin

Well, we're as you know, we still have a few Price Choppers converting into FreshCo this year, so this is the first priority in terms of the FreshCo banner. Second, we want to keep on the great momentum we currently have in the business and build on that strong momentum even more. So we're not in a position to address this question right now. Still we have more opportunities in the Ontario market to grow that banner and make it an even stronger customer proposition for our consumers.

Keith Howlett

And just one, if I might, on the transitional agreement with Safeway; do they—they don't happen to use SAP now? Or do they?

Marc Poulin

No. They don't.

Keith Howlett

So is that process not—is it sort of similar to the process that you've done region by region already? Is it sort of that process over again? Or...

Marc Poulin

Exactly.

Keith Howlett

Thanks very much.

Marc Poulin

Thank you.

Operator

Your next question comes from the line of Chris Li with Bank of America. Your line is open.

Chris Li — Bank of America

Hi. Good afternoon. Just have a few modelling-type questions. First, can you let us know what the square footage growth was for the quarter?

Paul Jewer

We'll get that number for you in a second, Chris.

Chris Li

Okay. I'll just carry on then. Just with respect to the Empire Theatre sale, just more from a modelling perspective, should we just basically eliminate the sales line at the investment and operations level once the transactions close?

Paul Beesley

Yes.

Paul Sobey

That's correct.

Chris Li

Okay. And roughly speaking, how much EBITDA should we also be removing from those?

Paul Sobey

We don't break that down, but I think as the conversation said before, you take the sales, it will be a negligible impact on the overall business, given the volumes and the size and the numbers.

Chris Li

Okay. And with respect to the Landmark transaction, I guess once—with the equity interest and the new entity that will be formed between Empire and Landmark, so I'm assuming that there is still going to be some financial impact from that new entity that's been formed. So there's still going to be some consolidation with respect to sales and EBITDA from that piece that is where Empire still has a controlling interest in?

Paul Beesley

Absolutely. So we'll continue to consolidate this new entity until our equity gets bought out.

Chris Li

Can you tell us roughly how much would that still be consolidated just...

Paul Sobey

We'll let you know.

Chris Li

Okay. And then just lastly, if Landmark does exercise their right to buy out the interest, what happens to those 30 million of debt?

Paul Beesley

The 30 million of debt is nonrecourse to Empire, and it would continue in the—to be the obligation of the new co.

Chris Li

Okay. But once Landmark takes the—buys out the interest, does that go to Landmark...

Paul Beesley

From an accounting perspective, it would come off the balance sheet.

Paul Sobey

Empire has zero obligation with respect to any debt obligations of Landmark.

Chris Li

Okay. That's great. Thank you.

Paul Jewer

And, Chris, the square footage increase for the quarter was 247,000 square feet, so just under 1 percent, and for the year it was 2 percent.

Chris Li

Okay. Thanks a lot. Thanks.

Operator

To ask a question, that is *, 1 on your telephone keypad.

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

Jim Durran

Hey, Marc; I just want to go back to the pricing environment right now. Would you say that you've observed any change in Wal-Mart's pricing activity in the marketplace? Or is it more broadly just the square footage and the reaction of the competitors?

Marc Poulin

We don't really price versus what competitor. We price versus what's necessary to be competitive and satisfy our consumers with the offering that we have and make sure that it's competitively priced versus the market in general. So I cannot answer a question like that because that's not the way we look at things.

Jim Durran

Okay. No. That’s fair enough, and thank you very much.

Marc Poulin

Pleasure.

Operator

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

Michael Van Aelst

Yes. On the Empire Theatre sale, can you just explain the difference a little bit in selling price per screen of the assets sold to Cineplex versus Landmark? Is this a reflection of the quality of the assets? Or just a lack of a well-financed strategic buyer for the assets?

Paul Sobey

I think the transaction is outlined in the package, and I don't think we'll add any further colour to that. It's not relevant to the discussion.

Michael Van Aelst

I think you used to have 50 theatres. Is 46 all of the theatres that you have remaining?

Paul Sobey

100 percent of the theatre locations have been sold.

Paul Beesley

Yeah. There are a couple that are in a lease or we own, and we had other plans. So these are the theatres that we're selling.

Michael Van Aelst

All right. Thank you.

Operator

There are no further questions in queue at this time. I turn the conference back over to our presenters.

Paul Beesley

Thank you very much, Tiffany, ladies and gentlemen. We appreciate your continued interest in Empire.

We look forward to having you join us for our Q1 fiscal 2014 conference call scheduled for September 12th. Good-bye.

Operator

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

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