A stronger platform for growth
The Canada Safeway acquisition

Empire’s $5.8 billion acquisition of Canada Safeway in November 2013 solidified Sobeys’ position as the second largest food retailer in Canada and facilitated the evolution of Crombie REIT into a truly national retail landlord.

Through this single transaction, we added (net of divestitures), 200 full service format stores, 190 in-store pharmacies, 63 co-located fuel stations, 10 liquor stores, four primary distribution centres and 12 manufacturing facilities to our Western Canadian network. The acquisition also enabled us to establish a leading market share position in Western Canada, including the fast-growing Alberta market.

Over the next three years, Sobeys is committed to achieving $200 million in annual run-rate cost synergies and earnings accretion from the integration of Canada Safeway. This ambitious goal is possible because of the significant investments Sobeys has made in its scalable business processes and systems, as well as information technology infrastructure, over the past few years. Our first step is to achieve systems integration by converting Safeway to our SAP platform and point-of-sale systems. We are on track to achieve $100 million in annual run-rate cost synergies by the end of year one through lower cost procurement in both grocery and pharmacy as well as efficiencies in our marketing and procurement operations. In years two and three, we expect to secure an additional $100 million in annual run-rate cost synergies through more streamlined and cost effective logistics and distribution, further information technology harmonization, continued marketing efficiencies, and by reduced sales, general and administrative costs. Since the $1.5 billion acquisition of The Oshawa Group in 1998, Sobeys has successfully integrated several acquisitions and established a track record of consistent earnings accretion in the process.

The benefits of the Canada Safeway acquisition go far beyond the numbers, starting with a highly compatible growth strategy and corporate culture. For more than 84 years, Safeway has earned the trust and loyalty of Western Canadian consumers by knowing what they want and delivering a differentiated shopping experience.
Today, Safeway’s approach is much like that of our other full service banners with a fresh-driven, food-focused offering that depends on the support of knowledgeable and engaged employees. Our operations share many other similarities including: capable and experienced management, well-established training and development programs, leading customer insight capabilities, and the popular AIR MILES® rewards program.

The Safeway store network is a welcome complement to Sobeys’ existing store network. With a high concentration of stores in densely populated neighbourhoods in Vancouver, Calgary, Edmonton and Winnipeg, Safeway adds an established network of high-traffic locations and important real estate assets.

**The right ingredients for growth**

- A leading grocer in Western Canada including the fast-growing Alberta market
- An exceptional network of 200 Canada Safeway stores in established, sought-after locations
- Annual run-rate cost synergies of $200 million over the next three years
- A highly aligned growth strategy and cultural fit
- Skilled, engaged and motivated employees
- A compelling full service fresh food offering