

EMPIRE
COMPANY LIMITED



Q3 F2018 Earnings Call

March 14, 2018

Executive Team



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President &
Chief Executive Officer



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Officer



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Format



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Third Quarter Highlights

- Adjusted earnings per share of \$0.33 compared to \$0.13 last year
- Same-store sales, excluding fuel, increase of 1.1%
- Gross margin increased 30 basis points over prior year
- Project Sunrise expenses in the third quarter of \$16.3 million; \$185.5 year to date
- Project Sunrise transformation on track
- Free cash flow of \$269.4 million, increased from \$28.2 million last year
- Healthcare reform estimated to reduce income before taxes by up to \$40 million prior to any mitigation
- Secured a location in Vaughn, Ontario for our first e-commerce distribution center

Third Quarter Financial Summary

| | Quarter 3 | | YTD F18 | |
|---|-----------|-----------|------------|------------|
| | Actual | LY | Actual | LY |
| Sales | \$6,029.2 | \$5,889.8 | \$18,328.5 | \$18,007.3 |
| <i>Same store sales, excluding fuel</i> | 1.1% | (3.7)% | 0.7% | (2.4)% |
| <i>Inflation</i> | 1.6% | (2.2)% | | |
| Gross Profit | \$1,444.7 | \$1,394.8 | \$4,449.2 | \$4,286.3 |
| <i>Gross margin</i> | 24.0% | 23.7% | 24.3% | 23.8% |
| Selling and Administrative costs (excluding one-time adjustments) | \$1,341.7 | \$1,353.4 | \$4,085.7 | \$4,104.5 |
| <i>Selling and administrative margin</i> | 22.3% | 23.0% | 22.3% | 22.8% |
| Adjusted EBITDA | \$253.3 | \$178.7 | \$774.3 | \$603.0 |
| <i>Adjusted EBITDA margin</i> | 4.2% | 3.0% | 4.2% | 3.3% |
| Adjusted Earnings per Share | \$0.33 | \$0.13 | \$0.92 | \$0.52 |
| Free Cash Flow | \$269.4 | \$28.2 | \$506.5 | \$502.7 |
| Capital Expenditures | \$49.9 | \$83.6 | \$163.7 | \$368.9 |
| Funded Debt to Total Capital | 32.7% | 34.7% | | |

Disclaimers



Forward-Looking Information

This document contains forward-looking statements which are presented for the purpose of assisting the reader to contextualize the Empire Company Limited's ("Empire" or the "Company") 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 "estimates", "plans", "predicts" and other similar expressions or the negative of these terms.

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

- The Company's expectations regarding the impact of Project Sunrise, including expected cost savings and efficiencies resulting from this transformation initiative, and the expected timing and amount of one-time costs, which could be impacted by several factors, including the time required by the Company to complete the project as well as the factors identified under the heading "Risk Management" in Empire's fiscal 2017 annual MD&A; and
- The Company's expectations regarding the impact of healthcare reform that will come into effect on April 1, 2018.

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 Empire's fiscal 2017 annual MD&A.

Non-GAAP Financial Measures & Financial Metrics

There are measures and metrics included in this earnings call presentation, such as adjusted EBITDA, adjusted earnings per share, same-store sales, free cash flow, funded debt and total capital 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.

For a complete description of Empire's non-GAAP measures and metrics, please see Empire's MD&A for the third quarter ended February 3, 2018.