

EMPIRE  
COMPANY LIMITED



## Q4 F2018 Earnings Call

June 28, 2018

# Executive Team



**Michael Medline**  
President &  
Chief Executive Officer



## Fourth Quarter Highlights

- Earnings per share of \$0.26 compared to \$0.11 last year
- Adjusted earnings per share of \$0.35 compared to \$0.18 last year
- Same-store sales excluding fuel consistent with last year
- Gross margin increased 20 basis points over prior year
- Project Sunrise transformation on track; first year successfully completed
- In-year benefit of Sunrise transformation approximately 20% of the total target
- Management estimates up to a further 30% of the Company's target can be achieved during fiscal 2019
- Effective tax rate 13.7% for the quarter, lower than the statutory rate primarily due to an internal reorganization to simplify the corporate structure, +\$0.03 impact on EPS
- Sold 11 properties to Crombie REIT; pre-tax gain of \$13.2 million, +\$0.03 impact on EPS
- Free cash flow of \$350.6 million, increased from \$170.8 million last year
- Annual dividend per share increased to 4.8% to \$0.44
- Capital investment program for fiscal 2019 expected to be \$425 million

# Fourth Quarter Financial Summary

	Quarter 4		F18	
	Actual	LY	Actual	LY
Sales	\$5,886.1	\$5,798.9	\$24,214.6	\$23,806.2
<i>Same store sales, excluding fuel *</i>	0.0%	(1.6)%	0.5%	(2.2)%
Gross Profit	\$1,451.3	\$1,420.9	\$5,900.5	\$5,707.2
<i>Gross margin</i>	24.7%	24.5%	24.4%	24.0%
Selling and Administrative costs (excluding one-time adjustments)	\$1,348.6	\$1,349.9	\$5,434.3	\$5,454.4
<i>Selling and administrative margin</i>	22.9%	23.3%	22.4%	22.9%
Adjusted EBITDA	\$240.4	\$193.9	\$1,014.7	\$796.9
<i>Adjusted EBITDA margin</i>	4.1%	3.3%	4.2%	3.3%
Adjusted Earnings per Share	\$0.35	\$0.18	\$1.27	\$0.70
Free Cash Flow	\$350.6	\$170.8	\$857.1	\$673.5
Funded Debt to Total Capital	31.0%	33.9%		

*\*Excluding related businesses, SSS for food increased and estimated food tonnage sold was consistent with last year*

## Capital Expenditures – Fiscal 2018

### Investing Activities

The table below outlines details of investing activities of the Company during the 13 and 52 weeks ended May 5, 2018 compared to the 13 and 52 weeks ended May 6, 2017:

(\$ in millions)	13 Weeks Ended		\$ Change	52 Weeks Ended		\$ Change
	May 5, 2018	May 6, 2017		May 5, 2018	May 6, 2017	
<b>Investment</b>						
Increase in investments	\$ -	\$ (0.4)	\$ 0.4	\$ -	\$ (0.4)	\$ 0.4
Property, equipment and investment property purchases	(76.1)	(91.8)	15.7	(239.8)	(460.7)	220.9
Proceeds on disposal of assets	113.2	36.8	76.4	217.2	425.7	(208.5)
Additions to intangibles	(7.9)	(20.1)	12.2	(48.2)	(53.8)	5.6
Loans and other receivables	(0.4)	(1.5)	1.1	6.1	12.3	(6.2)
Tenant inducements	-	-	-	-	58.8	(58.8)
Other assets and other long-term liabilities	3.7	3.3	0.4	2.9	2.7	0.2
Business acquisitions	(0.6)	(0.2)	(0.4)	(3.8)	(21.9)	18.1
Interest received	1.2	0.6	0.6	1.9	1.6	0.3
Proceeds on redemption of investment	-	-	-	24.3	-	24.3
<b>Cash flows from (used in) investing activities</b>	<b>\$ 33.1</b>	<b>\$ (73.3)</b>	<b>\$ 106.4</b>	<b>\$ (39.4)</b>	<b>\$ (35.7)</b>	<b>\$ (3.7)</b>

The Company spent \$288.0 million in capital investment for fiscal year 2018. Capital investment for fiscal year 2019 is anticipated to be approximately \$425 million.

## 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 of the realization of fiscal 2019 in-year incremental benefits, 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 2018 annual Management's Discussion and Analysis ("MD&A").

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 2018 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 fiscal 2018 annual MD&A.