



Q2 F2019 Earnings Call

December 13, 2018

Executive Team



Michael Medline
President &
Chief Executive Officer



Lyne Castonguay

Executive Vice President, Store Experience

Pierre St-Laurent

Executive Vice President, Merchandising & Quebec

Vivek Sood

Executive Vice President, Related Businesses

Mike Venton

General Manager, Discount Format

Sarah Joyce

Senior Vice President, E-commerce

Mike Vels

Executive Vice President & Chief Financial Officer

Simon Gagné

Executive Vice President, Human Resources

Clinton Keay

Executive Vice President, Technology & TMO

Sandra Sanderson

Senior Vice President, Marketing

Doug Nathanson

Senior Vice President, General Counsel & Corporate Secretary

Vittoria Varalli

Chief of Staff, Office of the CEO

Second Quarter Highlights

- Same-store sales excluding fuel increased 2.5%
- Same-store sales excluding fuel and pharmacy increased 3.0%
- Second consecutive quarter of tonnage growth
- Earnings per share of \$0.38 compared to a loss per share of \$0.09 last year
- Adjusted earnings per share of \$0.40, up 48% from \$0.27 last year
- Project Sunrise transformation on track
- Completed the acquisition of Farm Boy, Ontario's fastest growing food retailer
- First two Manitoba FreshCo stores are on track to open in Winnipeg in the spring of 2019
- The estimated unmitigated impact of the minimum wage increases and other impacts of Bill 148 could be up to \$70 million, a decrease from the \$90 million previously disclosed
 - This is as a result of Bill 47 that was passed into law November 21, 2018 that modified certain provisions of Bill 148

Second Quarter Financial Summary

	Quarter 2	
	Actual	LY
Sales	\$6,214.0	\$6,026.1
<i>Same-store sales, excluding fuel</i>	2.5%	0.4%
<i>Same-store sales, excluding fuel and pharmacy</i>	3.0%	0.5%
Gross Profit	\$1,482.1	\$1,473.5
<i>Gross margin</i>	23.9%	24.5%
Selling and Administrative Costs (excluding adjustments ¹)	\$1,321.3	\$1,364.1
<i>Selling and administrative margin</i>	21.3%	22.6%
Adjusted EBITDA	\$279.1	\$242.2
<i>Adjusted EBITDA margin</i>	4.5%	4.0%
Adjusted Earnings per Share	\$0.40	\$0.27
Free Cash Flow	\$65.0	\$117.4
Funded Debt to Total Capital	29.9%	33.1%

¹Adjustments were made for intangible amortization associated with the Canada Safeway acquisition, Farm Boy transaction costs and costs related to Project Sunrise in the prior year. Please see Empire Company Limited's News Release for the second quarter ended November 3, 2018 for additional information.

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", "anticipates" and other similar expressions or the negative of these terms.

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

- 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");
- The Company's expectations regarding its existing discount model and its plans to expand its discount model to Western Canada, which may be impacted by union negotiations, the current economic environment and future operating results; and
- The Company's expectations regarding the impact of minimum wage increases in Ontario and Alberta, other impacts of Bill 148 and Bill 47, and the Company's ability to mitigate the financial impact of these changes which may be impacted by factors described under the heading "Minimum Wage Increases" in Empire's MD&A for the second quarter ended November 3, 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 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 financial measures and financial metrics, please see Empire's MD&A for the second quarter ended November 3, 2018.