Investor Presentation

January 2019

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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”, “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 overall and 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 the fiscal 2018 annual Management’s Discussion and Analysis (“MD&A”);

• The Company’s expectations regarding its existing discount operations and its plans to expand its discount operations 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 Farm Boy acquisition including: (i) timing and magnitude of growth (including same-store-sales, rollout and additional penetration in GTA, our expectations for additional stores by the end of fiscal 2020 and doubling the size of the business in five years) which may be impacted by customer demand, increased competition, the real estate opportunities available, the pace of new store openings, and the amount of time it will take new stores to ramp up; (ii) returns, accretion, free cash flow generation and projected fiscal 2020 EBITDA expected from the acquisition which may be impacted by the points noted in (i) above and whether new stores are able to attain historical profitability levels, the ability of the Company to predict and adapt to changing consumer tastes, preferences and spending patterns, future general economic and market conditions, legislative and regulatory environment in which the Company operates, and the effectiveness of integration efforts; and (iii) the timing of e-commerce roll-out which may be impacted by the overall customer response to the service and the performance of its business partner, Ocado.

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.
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
Empire Company Limited – Who are we?

- Canadian company headquartered in Stellarton, Nova Scotia.
- Key businesses include food retailing and related real estate through wholly owned subsidiary Sobeys Inc. and a 41.5% equity accounted interest in Crombie REIT.
- Sobeys is one of only two national grocery retailers in Canada, serving the food shopping needs of Canadians under retail banners that include Sobeys, Safeway, IGA, Foodland, FreshCo, Price Chopper, Thrifty Foods, Farm Boy and Lawtons Drugs.
- In addition to food retail we are:
  - **Pharmacy** retailers with in-store pharmacy banners and free-standing locations through Lawton’s Drug Stores;
  - **Wholesalers** with distribution to our corporate and franchised stores along with over 8,000 retail stores and independent wholesale accounts; and
  - Owner and operator of **fuel and convenience stores, and liquor** operations.

<table>
<thead>
<tr>
<th>Quick Facts – Empire*</th>
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<tbody>
<tr>
<td>Share price (CAN$)**</td>
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<tr>
<td>52-Week High **</td>
</tr>
<tr>
<td>52-Week Low **</td>
</tr>
<tr>
<td>Average daily trading volume**</td>
</tr>
<tr>
<td>Shares outstanding (diluted)</td>
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<tr>
<td>Quarterly dividend</td>
</tr>
<tr>
<td>Number of Stores***</td>
</tr>
<tr>
<td>Number of Retail fuel locations</td>
</tr>
<tr>
<td>Employees</td>
</tr>
<tr>
<td>Total Square footage</td>
</tr>
<tr>
<td>Communities served</td>
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</table>

*As at Q2, Fiscal 2019 (November 3, 2018) unless noted otherwise
**As of January 4, 2019
*** See [http://corporate.sobeys.com/at-a-glance/](http://corporate.sobeys.com/at-a-glance/) for details of stores per banner, and location
Key Achievements – Last twelve months

2017

December
• Announced expansion of Ontario Discount format banner, FreshCo, to Western Canada in fiscal 2019
• Announced Phase 1 of Project Sunrise completed

January
• Finalized partnership with Ocado to bring the world’s most innovative online grocery platform to Canada
• Announced closure of 10 under-performing Safeway stores in British Columbia, with the possibility of 5 reopening under FreshCo, the discount banner

March
• Reached mutually beneficial labour agreements with Manitoba and Saskatchewan

June
• Announced key leadership appointments – boosting focus on Store Operations, Merchandising, E-commerce and Discount
• Announced fourth quarter and year end results reflecting:
  • Successful completion of the first year of Project Sunrise;
  • 4.8% increase in annual dividend; and
  • Capital investment program for fiscal 2019 expected to be $425 million.

July
• Acquired 51% of South Asian grocer, Kim Phat; 3 locations in Montreal. This will expand the Company’s ethnic food expertise and enhance Asian products available at IGA.
• Announced first two western FreshCo stores to open in Winnipeg, in the spring of 2019

September
• Announced first quarter results reflecting highest tonnage increase in six years

December
• Completed the acquisition of Farm Boy, Ontario’s fastest growing food retailer
• Announced second quarter results reflecting the second consecutive quarter of tonnage growth
  • Same store sales excluding fuel increased 2.5%, excluding fuel & pharmacy increased 3.0%
Strategic Focus

Reset our Foundation
Successful completion of Sunrise by end of fiscal 2020.

Bolster our Brand
Strengthen the emotional connection to our banner brands.

Win in our Stores
Improve service and offering in our conventional stores.

Enhance Discount
Expand discount to Western Canada and refine our FreshCo model.

Win E-commerce
Launch home delivery through Ocado partnership.
Project Sunrise Update

In the fourth quarter of fiscal 2017, the Company launched Project Sunrise, a comprehensive, three year transformation initiative intended to simplify organizational structures and reduce costs. The initiative is expected to generate **at least $500 million in annualized benefits by the end of fiscal 2020** and will be achieved through three phases:

1) **Organizational realignment** – from a regional to a national structure, is complete.

2) **Operational efficiencies** – store operations, labour standards and other operational process initiatives continue to progress as planned, with increased benefits in fiscal 2019 and 2020.

3) **Cost of goods sold** – harmonization of costs with suppliers; more competitive net acquisition costs expected; category resets will provide an improved, simplified and in some cases more innovative assortments for customers.

Financial benefits from Phases one and two largely impact selling and administrative expenses. Phase three financial benefits will be reflected mostly in improved gross margin and sales.

The first year of Project Sunrise is complete and the **in-year benefit was approximately 20%** of the total target – in-line with management’s expectations. The majority of the benefits were achieved in the second half of the year. Benefits were comprised of organizational design cost reductions, improvements in store operations and cost reductions from strategic sourcing.

Management estimates **up to a further 30%** of the Company’s target can be achieved during fiscal 2019. The majority of the incremental benefit would accrue to the Company in the second half of the year with benefits beginning at the end of the third quarter, and significant benefits realized in the fourth quarter.

Half way through Project Sunrise, the initiative is on track.
Farm Boy – Key Investment Highlights

1. Aligned with Empire’s Strategic Priorities
2. Leading Specialty Food Retailer with Strong Brand Loyalty
3. Attractive, Scalable Platform Primed for Growth
4. Enhances Presence in Urban Markets with Established, Well-Known Brand in Ontario
5. Exceptional Private Label Offering
6. Retention of Strong and Driven Management Team

Note – For further company and transaction information, please see Appendix A
Ocado Solutions

With more than 15 years at the forefront of innovation and success in grocery e-commerce, Ocado will partner exclusively in Canada with Sobeys on our end-to-end e-commerce solution.

Key facts:
• Canadian online grocery market is growing 30%+ per year
• Greater Toronto Area ("GTA") Customer Fulfilment Centre ("CFC") complete in 2 years
• Shipping to customer homes in Spring 2020

Ocado by the numbers*:
• 99% order accuracy
• 95% delivery punctuality
• 0.7% product waste
• 260,000 orders a week (average)
• 600,000 happy customers

*Per https://ocadosolutions.com

This is a link to a video showing the recently constructed Ocado Andover facility. https://youtu.be/EeMTZd68fOU
Financial Results – Annual and Year-to-Date

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<tr>
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<th>Fiscal</th>
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<tbody>
<tr>
<td></td>
<td>26 weeks</td>
</tr>
<tr>
<td></td>
<td>3-Nov-18</td>
</tr>
<tr>
<td>Sales</td>
<td>$12,674.3</td>
</tr>
<tr>
<td>Sales growth (decline), excluding fuel</td>
<td>1.9%</td>
</tr>
<tr>
<td>Inflation (deflation) at quarter end – internal</td>
<td>1.3%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>$2,994.4</td>
</tr>
<tr>
<td>Gross margin</td>
<td>23.6%</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$557.8</td>
</tr>
<tr>
<td>Adjusted EBITDA margin</td>
<td>4.4%</td>
</tr>
<tr>
<td>Adjusted earnings per share</td>
<td>$0.77</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>$197.3</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>$121.0</td>
</tr>
<tr>
<td>Dividends per share</td>
<td>$0.22</td>
</tr>
<tr>
<td>Share price</td>
<td>$23.43</td>
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# Financial Results – 12 Quarter Review

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<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>$6,214.0</td>
<td>$5,886.1</td>
<td>$5,798.9</td>
<td>$5,798.9</td>
</tr>
<tr>
<td><strong>Same store sales, growth (decline) excluding fuel</strong></td>
<td>2.5%</td>
<td>0.0%</td>
<td>(1.6)%</td>
<td>(1.3)%</td>
</tr>
<tr>
<td><strong>Inflation (deflation) – internal</strong></td>
<td>0.8%</td>
<td>0.7%</td>
<td>(1.9)%</td>
<td>(2.2)%</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>$1,482.1</td>
<td>$1,451.3</td>
<td>$1,420.9</td>
<td>$1,546.2</td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td>23.9%</td>
<td>24.7%</td>
<td>24.5%</td>
<td>24.6%</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>$279.1</td>
<td>$240.4</td>
<td>$193.9</td>
<td>$269.6</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA margin</strong></td>
<td>4.5%</td>
<td>4.1%</td>
<td>3.3%</td>
<td>4.3%</td>
</tr>
<tr>
<td><strong>Adjusted EPS</strong></td>
<td>$0.40</td>
<td>$0.35</td>
<td>$0.18</td>
<td>$0.35</td>
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<tr>
<td><strong>Free cash flow</strong></td>
<td>$65.0</td>
<td>$350.6</td>
<td>$170.8</td>
<td>$455.6</td>
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<tr>
<td><strong>Capital expenditures</strong></td>
<td>$73.4</td>
<td>$84.0</td>
<td>$111.9</td>
<td>$186.0</td>
</tr>
<tr>
<td><strong>Dividends per share</strong></td>
<td>$0.110</td>
<td>$0.105</td>
<td>$0.105</td>
<td>$0.1025</td>
</tr>
<tr>
<td><strong>Share price</strong></td>
<td>$23.43</td>
<td>$25.01</td>
<td>$21.50</td>
<td>$21.09</td>
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</tbody>
</table>

- **Q2 F19** Nov. 3, 2018
- **Q1 F19** Aug. 4, 2018
- **Q4 F18** May 6, 2018
- **Q3 F18** Feb. 4, 2018
- **Q2 F18** Nov. 5, 2017
- **Q1 F18** Aug. 6, 2017
- **Q4 F17** May 7, 2017
- **Q3 F17** Jan. 30, 2016
- **Q2 F17** Jan. 30, 2016
- **Q1 F17** Jan. 30, 2016
Farm Boy – Company Overview

- Founded in 1981, Farm Boy Inc., (“Farm Boy”) is an Ontario-based retail grocer that has a focus on high quality and locally-sourced meat and produce and offers a wide range of exceptional private label and prepared foods and renowned customer service.

- In 2012, Berkshire Partners, a leading global private equity firm specializing in consumer products and retail investments, partnered with the Bellemare family and invested in Farm Boy.

- Farm Boy is led by Jean-Louis Bellemare (founder and co-CEO) and Jeff York (co-CEO), both are continuing their leadership roles with Farm Boy.

- Farm Boy operates a unique and compelling brand that resonates with Canadians and has a passionate and loyal customer base.

- Scalable platform with infrastructure in place to support future long-term growth.

- Over the last 5 years, Farm Boy has approximately doubled store count and delivered strong revenue, EBITDA and free cash flow growth.

- Today, Farm Boy has 27 stores with defined plans for continued expansion into the GTA.
## Farm Boy – Transaction Overview

### Purchase Price
- Empire, through a subsidiary, signed an agreement on September 24, 2018, to acquire the business of Farm Boy for a total purchase price of $800 million
- Farm Boy is set up as a separate company within Empire’s structure
- Farm Boy’s Co-CEOs, together with members of their senior management team, have reinvested for a 12% interest of the continuing Farm Boy business

### Financial Profile
- Represents a 14.1x multiple of Farm Boy’s estimated EBITDA in Empire’s fiscal 2020
- Accretive to adjusted earnings per share and operating cash flow per share in the first full fiscal year after closing
  - Empire’s third quarter of fiscal 2019 will be the first quarter including contributions from Farm Boy; they will have been part of the Empire family for approximately 60% of Empire’s third quarter
  - Empire’s fiscal year 2020 will be the first year including a full year of contributions from Farm Boy
- EBITDA CAGR of 21% with compelling EBITDA margin profile
- Plan to double store count, sales and EBITDA in the next 5 years
- Free cash flow generation more than sufficient to self-fund growth
- All stores are profitable and growing

### Financial Flexibility
- The acquisition was financed through a combination of cash on hand and a new $400 million senior, unsecured, non-revolving two-year credit facility
- Rapid deleveraging profile
- Significant liquidity available from unutilized facilities

### Timing & Approvals
- Following receipt of a no-action letter from the Canadian Competition Bureau, the transaction closed on December 10, 2018

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(1) Based on a total enterprise value of $800 million and performance under Empire’s ownership, including growth related to same-store sales and new store openings
(2) For the period from FY2014 through the 52 weeks ended July 14, 2018
Appendix B
FreshCo 2.0
FreshCo 2.0
Appendix C
First look at CFC (Vaughan, ON)
First look at CFC (Vaughan, ON)