

FOR IMMEDIATE RELEASE

July 22, 2020

Empire unveils Project Horizon: new three-year growth strategy for core business expansion and e-commerce acceleration

Management targeting an incremental \$500 million in annualized EBITDA driving an improvement in EBITDA margin of 100 basis points by fiscal 2023

Stellarton, NS -- Empire Company Limited (“Empire”, or the “Company”) (TSX:EMP.A) today outlined its new three-year strategy to deliver an incremental \$500 million in annualized EBITDA by the end of fiscal 2023. Building from the overwhelming success of Project Sunrise, Empire’s previous three-year strategy, the Company is well positioned to accelerate a new ambitious growth plan.

“Empire now has the team, the structure and the vision to achieve its sales and earnings potential,” said Michael Medline, President & CEO, Empire. “Even though we exceeded our Project Sunrise savings target of \$550 million, there is still substantial value to unlock through Project Horizon. As the retail landscape in Canada continues to react and shift under the seismic waves caused by the pandemic it is clear now, more than ever, that we must be able to serve customers where, when and how they want to shop. We will invest in our core store business to drive growth and will move much faster with Voilà customer fulfillment centres and a new, exciting store pick solution, using Ocado technology.”

Empire delayed the launch of its new strategy, originally planned for release in May, as the Company was focused on keeping its teammates and customers safe and keeping its stores filled through the peak of the COVID-19 pandemic (“pandemic”) lockdowns. As well, management took the time to review social and economic implications of the pandemic on the Canadian environment to ensure they were reflected in the strategy.

The Company expects to achieve \$500 million in benefits over the next three years by (1) growing market share and (2) building on its cost and margin discipline. The summary below highlights key elements of the strategy. The \$500 million does not include benefits or risks, if any, from pandemic related sales and cost impacts.

“Empire’s strategy will be delivered by our incredible team of 127,000 teammates and franchisee partners from coast-to-coast. Diversity, equity and inclusion efforts that drive tangible social and organizational change within our Company and the communities we serve will be an important priority to our team,” said Michael Medline.

Growth in market share is expected from supporting and investing further in the store network, improving store productivity, scaling up grocery e-commerce, growing the private label portfolio, continuing the Western discount business expansion, and increasing the Farm Boy footprint in Ontario.

- **Invest in Empire's Store Network:** The Company will accelerate investment in physical assets, through renovations and conversions, and store processes, communications, training, technology and tools. This will provide Empire's store teammates with further capabilities and tools to better serve customers. Towards the end of the last three years, re-investment in Empire stores was a key priority. These investments, coupled with powerful refreshed brand marketing strategies, have been successful with strong returns. These priorities, along with the expansion of the FreshCo and Farm Boy banners, are reflected in the Company's estimates of future capital spending, averaging \$700 million annually over the next three years.
- **Improve Store Space Productivity:** Improving sales per square foot is the crucial engine for long term market share growth. During Project Sunrise, the Company built the foundation of its advanced analytics capabilities. Analytics will drive improvements in every customer facing element, including store footprints, customer promotions and availability of product on shelf. With Category Resets complete, the Company is able to further improve the customer experience by leveraging advanced analytics, to tailor its assortment to store formats and optimize product adjacencies.
- **Win Canadian Grocery E-Commerce:** Empire is accelerating its plans for the remaining two Voilà e-commerce CFCs – for a total of four CFCs across Canada – and introducing Ocado's proven store pick solution. This store pick solution will serve customers in areas where the CFCs will not deliver, or are not yet built, and will begin in Nova Scotia at the end of the summer, before expanding and moving West. Ocado's store pick solution is live and successful in various cities across the world.
- **Grow Empire's Private Label Portfolio:** Over the past two years the Company has improved its private brands' positioning and branding with a strong consumer response. Penetration of the Company's private brands has been growing faster than the industry for all of fiscal 2020, which has been further amplified during the pandemic. The Company is now at a logical juncture to review the specific role of private brands in each category and determine in which categories and banners to expand based on consumer needs. Working closely with its supplier partners, the Company plans to further grow sales of its private label brands through increased distribution, shelf placement and product innovation.
- **Provide Best in Class Customer Personalization:** Empire is moving forward aggressively with investments in analytics and technology to better identify customer preferences and support direct, personalized communication – evolving from mass communications to personalized connections with its customers. The goal is to deploy world-class personalized communications and offers to inspire customers and improve the experience and relevance of promotions.

Building on cost and margin discipline: Empire has significantly improved its efficiency and cost competitiveness over the past three years through Project Sunrise. However, opportunity still remains to remove non-value-added costs, ensure cost containment as the top-line grows and optimize margins.

- **Drive Non-Merchandising Sourcing Efficiencies:** The Strategic Sourcing team, established in Project Sunrise, will continue to build further efficiencies and cost reductions in all indirect spend, continuing a record of consistent annual cost improvement.
- **Continue to Build Merchandising Sourcing Efficiencies:** The Company continues to invest in advanced data and its category planning process, working with suppliers to ensure Empire brings the best value and offers to its customers. This plan anticipates particular focus in Private Label sourcing in line with the category-by-category reviews.
- **Invest in Best in Class Analytics to Enable Effective Promotions.** Significant investments in effective pricing and promotional tools, by using advanced analytics and artificial intelligence, is expected to expand margins by improving the Company's net cost of promotions, while improving value for customers.
- **Optimize Supply Chain Productivity.** The Company will optimize its supply chain and logistics networks and consolidate certain procurement processes.

- **Improve System and Process.** By leveraging technology to improve systems and process, the Company will yield efficiencies and cost reductions in its back office and support functions.

The benefits of Project Horizon are expected to ramp up over the three-year period with the largest benefits reflected in year three. In the first year, benefits are expected to be skewed towards continued cost and margin improvements, with greater sales and market share improvements in the last two years. Improvements related to maturation of the new discount network in the West, Farm Boy expansion and scaling up of the Voilà business are more heavily weighted in years two and three. Benefits from renovations and other re-investment in the store network are expected to contribute to earnings throughout the next three years. Overall, a large portion of the benefits are expected to be achieved through initiatives related to store productivity, private label, store renovations, and new stores.

The Company expects to achieve the targeted EBITDA improvements net of the expenses required to accelerate and scale up e-commerce across the country. Online grocery penetration has grown dramatically as Canadians embraced e-commerce through the pandemic with online grocery penetration tripling from its pre-COVID level. This significant change warranted a shift in strategy to bring e-commerce to more Canadians faster than originally planned.

Empire is highly confident that Ocado's platform is the most sustainable, customer-friendly, profitable e-commerce solution. With only four CFCs, the Company will cover approximately 75% of Canadian households representing approximately 90% of Canadians' spend. The Company launched Voilà to customers in the Greater Toronto Area ("GTA") on June 22 and early feedback has been extremely positive. Empire's second CFC is under construction in Montreal. It is expected to deliver to customers in early 2022, delayed slightly due to the shutdown of non-essential construction in Quebec during the pandemic. The Company will accelerate the timing to build another two CFCs in Western Canada.

At the end of the summer, Empire is planning to implement and test a Voilà store pick solution, powered by Ocado's proven technology, in Nova Scotia before expanding to hundreds of stores across the country over the next few years. This solution is ideal for geographies where the density is not sufficient to warrant a CFC and also for the markets where a CFC will eventually be built so customers have a high-quality e-commerce option from Voilà until central warehouse pick is available.

The removal of over \$550 million from Empire's cost base through Project Sunrise increased EBITDA margin by 145 basis points on a comparable basis and excluding results of the pandemic. Empire grew faster than its competitors over this adjusted three-year time frame with an adjusted earnings per share CAGR of 44%.

Over the next three years, Empire believes that the Company can continue to grow faster than its key competitors, improving EBITDA margin by another 100 basis points on a much higher sales base, which is expected to generate a compound average growth rate in earnings per share of at least 15%, even after the impacts on earnings of investments in Voilà online grocery delivery. Due to the dramatic growth of e-commerce in Canada and Empire's response by accelerating its e-commerce business, including store pick, e-commerce is expected to have a dilutive effect on Empire earnings per share of approximately \$0.20 per share in fiscal 2021. This impact may be lower due to a faster than expected ramp up to support the significantly increased online grocery penetration as a result of the pandemic.

Supporting management's plans to realize \$500 million in benefits, capital spend is expected to average approximately \$700 million annually over the next three years, which includes approximately 20 new Farm Boy locations in Ontario and the conversion of approximately 30-35 conventional stores to FreshCo in Western Canada. In fiscal 2021 capital spend is expected to be \$650 - \$675 million with approximately half of this investment in renovations and new stores. Empire will open approximately 10-15 FreshCo stores in Western Canada and expand the Farm Boy footprint by approximately 8 stores in Ontario. The Company will also invest approximately 15% of its estimated spend on advanced analytics technology and other technology systems. Empire's total investment in Voilà for fiscal 2021, including its share of the investment in the Montreal CFC, is approximately \$65 million.

Empire management continues to be committed to returning cash to its shareholders through dividends and share buybacks, as evidenced by an average dividend growth rate of 7% over the last three years and share buybacks of \$100 million in fiscal 2020. The Company plans to continue to increase its dividends and re-purchase shares on a disciplined basis, taking into account liquidity expectations, market conditions and the outlook for the three years.

NON-GAAP FINANCIAL MEASURES

There are measures included in this news release that do not have a standardized meaning under generally accepted accounting principles (GAAP) and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. The Company includes these measures because it believes certain investors use these measures as a means of assessing financial performance. Empire's definition of the non-GAAP terms are as follows:

- Earnings before interest, taxes, depreciation and amortization ("EBITDA") is calculated as net earnings before finance costs (net of finance income), income tax expense, and depreciation and amortization of intangibles.
- Adjusted EBITDA is EBITDA excluding certain items to better analyze trends in performance. These adjustments result in a more comparable economic representation of the underlying business.
- Adjusted EBITDA margin is adjusted EBITDA divided by sales.
- Adjusted net earnings is net earnings, attributable to owners of the Company, excluding certain items to better analyze trends in performance and financial results. These adjustments result in a more comparable economic representation of the underlying business.
- Adjusted earnings per share (fully diluted) is calculated as adjusted net earnings divided by diluted weighted average number of shares outstanding.

FORWARD LOOKING INFORMATION

This document contains forward-looking statements which are presented for the purpose of assisting the reader to 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 "expects", "intends", "may", "plans", "will", 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 financial impact of Project Horizon and its underlying initiatives, including expected growth in market share, cost and margin savings resulting from this strategy, and the expected timing of the realization of incremental benefits, which could be impacted by several factors, including the time required by the Company to complete the project, impacts of the pandemic including changes in customer behaviour, as well as the factors identified under the heading "Risk Management" in the fiscal 2020 annual MD&A;
- The implementation and launch of the Voilà online grocery delivery service and store pick solution and the expected dilutive effect on Empire's earnings per share of approximately \$0.20 per share in fiscal 2021, which may be impacted by COVID-19, future operating and capital costs, the customer response to the service and the performance of its business partner, Ocado Group plc;

- The FreshCo expansion in Western Canada and Farm Boy expansion in Ontario, including the Company's expectations regarding future operating results and profitability, the amount and timing of expenses, and the number, location, feasibility and timing of renovations, construction and conversions, all of which may be impacted by COVID-19, construction schedules and permits, the economic environment and labour relations;
- The Company's estimates regarding future capital expenditures which includes acquisitions of property, equipment and investment properties as well as additions to intangibles, which may be impacted by operating results, impacts of the pandemic and the economic environment; and
- The Company's plans to purchase for cancellation Non-Voting Class A shares and increase dividends, which may be impacted by market and economic conditions, availability of sellers, changes in laws and regulations, and the results of operations.

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 the fiscal 2020 annual Management's Discussion and Analysis.

ABOUT EMPIRE

Empire Company Limited (TSX: EMP.A) is a Canadian company headquartered in Stellarton, Nova Scotia. Empire's key businesses are food retailing, through wholly-owned subsidiary Sobeys Inc., and related real estate. With approximately \$26.6 billion in annualized sales and \$14.6 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 127,000 people.

Additional financial information relating to Empire, including the Company's Annual Information Form, can be found on the Company's website at www.empireco.ca or on SEDAR at www.sedar.com. For further information, please contact:

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