EMPIRE
COMPANY LIMITED

FOR IMMEDIATE RELEASE
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Empire Reports Strong Fourth Quarter and Fiscal 2021 Results

Fourth Quarter Summary

- Earnings per share of $0.64 compared to $0.66 last year
- Same-store sales excluding fuel decreased by 6.1% compared to last year's stock-up period
- Annual dividend per share increased 15.3%
- Repurchased 4,124,260 shares in fiscal 2021 for a total consideration of $153.6 million
- Project Horizon growth plan on track; first year successfully completed
- Capital investment program for fiscal 2022 expected to be approximately $765 million
- Purchase of 51% of Longo's and Grocery Gateway completed subsequent to the end of the quarter

Stellarton, NS – Empire Company Limited ("Empire" or the "Company") (TSX: EMP.A) today announced its financial results for the fourth quarter and full year ended May 1, 2021. For the quarter, the Company recorded net earnings of $171.9 million compared to $177.8 million last year. Total earnings per share in the fourth quarter last year included an unusual gain on the surrender of lease of $0.06; removing this impact, total net earnings per share increased 6.7% compared to last year.

"Despite the challenge of lapping last year's outsized COVID-driven results, we are pleased to report that our team delivered a very strong Q4, matching last year's outstanding bottom-line performance and delivering two-year same-store sales growth of 10.4%," said Michael Medline, President and CEO, Empire. "These strong results are driven by our continued progress on day-to-day execution and Project Horizon, the benefits of which will be sustained long beyond COVID-19. I am so proud of our great team in stores and behind the scenes, who continue to drive real sales growth while maintaining cost control."

In the first quarter of fiscal 2021, the Company launched Project Horizon, a three-year growth plan focused on core business expansion and the acceleration of e-commerce. The Company is on track to achieve a targeted incremental $500 million in annualized EBITDA and an improvement in EBITDA margin of 100 basis points by fiscal 2023 by (i) growing market share and (ii) building on cost and margin discipline.

In fiscal 2021, Project Horizon benefits were achieved from the expansion and renovation of the Company's store network, improvement in store operations and merchandising from data analytics along with continued efficiencies gained through strategic sourcing initiatives. Benefits were partially offset by the investment in the Company's e-commerce network.

For fiscal 2022, management expects the majority of benefits to be driven through the annualization of fiscal 2021 initiatives along with the continued expansion and renovation of the store network, promotional optimization, data analytics and strategic sourcing efficiencies. Benefits will be partially offset by the investment in the Company's e-commerce network.

Dividend Declaration

The Company declared a quarterly dividend of $0.15 per share on both the Non-Voting Class A shares ("Class A shares") and the Class B common shares that will be payable on July 30, 2021 to shareholders of record on July 15, 2021, representing an increase in the annualized dividend rate of 15.3%. These dividends are eligible dividends as defined for the purposes of the Income Tax Act (Canada) and applicable provincial legislation.

Normal Course Issuer Bid ("NCIB")

On June 22, 2021, the Company renewed its NCIB by filing a notice of intention with the Toronto Stock Exchange ("TSX") to purchase for cancellation up to 8,468,408 Class A shares representing 5.0% of the 169,368,174 Class A shares outstanding as of June 18, 2021, subject to regulatory approval. The purchases will be made through the facilities of the TSX and/or any alternative trading systems to the extent they are eligible. The price that Empire will pay for any such shares will be the market price at the time of acquisition. The Company believes that repurchasing shares at the prevailing market prices from time to time is a worthwhile use of funds and in the best interests of Empire and its shareholders. Purchases may commence on July 2, 2021 and shall terminate not later than July 1, 2022.

Based on average daily trading volume ("ADTV") of 493,273 over the last six months, daily purchases will be limited to 123,318 Class A shares (25% of the ADTV of the Class A shares), other than block purchase exemptions.

The Company has also renewed its automatic share purchase plan with its designated broker allowing the purchase of Class A shares for cancellation under its NCIB during trading black-out periods, subject to regulatory approval.

Under the Company's current NCIB, that commenced on July 2, 2020, was amended April 19, 2021 and expires on July 1, 2021, the Company received approval from the TSX to purchase up to 8,548,551 Class A shares representing approximately 5.0% of the Class A shares outstanding. As of June 21, 2021 the Company has purchased 5,272,860 shares at a weighted average price of $37.83 for a total consideration of $199.5 million.

Shares repurchased under the Company's NCIB for the fourth quarter and fiscal year ended May 1, 2021 is shown in the table below:

	13 Weeks Ended		52 Weeks Ended	
($ in millions, except per share amounts)	**May 1, 2021**	May 2, 2020	**May 1, 2021**	May 2, 2020
Number of shares	**2,079,443**	-	**4,124,260**	2,997,583
Weighted average price per share	**$ 38.76**	$ -	**$ 37.24**	$ 33.36
Cash consideration paid	**$ 80.6**	$ -	**$ 153.6**	$ 100.0

CONSOLIDATED OPERATING RESULTS

In the fourth quarter of fiscal 2020, the beginning of the pandemic led to high levels of consumer stock up activity resulting in unusual and significant favourable impacts in sales, gross profit and net earnings compared to the extent of the impacts in the fourth quarter of fiscal 2021.

($ in millions, except per share amounts)	13 Weeks Ended May 1, 2021	13 Weeks Ended May 2, 2020	13 Weeks Ended $ Change	52 Weeks Ended May 1, 2021	52 Weeks Ended May 2, 2020	52 Weeks Ended $ Change
Sales	**$ 6,920.0**	$ 7,012.4	$ (92.4)	**$ 28,268.3**	$ 26,588.2	$ 1,680.1
Gross profit(1)	**1,795.7**	1,819.5	(23.8)	**7,199.3**	6,633.3	566.0
Operating income	**295.0**	324.3	(29.3)	**1,299.5**	1,111.8	187.7
EBITDA(1)	**514.4**	527.8	(13.4)	**2,143.8**	1,892.4	251.4
Net earnings(2)	**171.9**	177.8	(5.9)	**701.5**	583.5	118.0
Diluted earnings per share						
EPS(2)(3)	**$ 0.64**	$ 0.66	$ (0.02)	**$ 2.60**	$ 2.15	$ 0.45
Diluted weighted average number of shares outstanding (in millions)	**267.6**	269.7		**269.3**	271.4	
Dividend per share	**$ 0.13**	$ 0.12		**$ 0.52**	$ 0.48	

	13 Weeks Ended May 1, 2021	13 Weeks Ended May 2, 2020	52 Weeks Ended May 1, 2021	52 Weeks Ended May 2, 2020
Gross margin(1)	**25.9%**	25.9%	**25.5%**	24.9%
EBITDA margin(1)	**7.4%**	7.5%	**7.6%**	7.1%
Same-store sales(1) growth	**(4.5)%**	15.0%	**4.7%**	4.6%
Same-store sales growth, excluding fuel	**(6.1)%**	18.0%	**5.6%**	5.7%
Effective income tax rate	**19.7%**	26.0%	**25.8%**	26.4%

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this News Release.
(2) Attributable to owners of the Company.
(3) Earnings per share ("EPS").

Effective the first quarter of fiscal 2021 and for comparative purposes, adjusted operating income, adjusted EBITDA, adjusted net earnings and related metrics within this document have been removed due to their immaterial nature.

COVID-19

The novel coronavirus ("COVID-19" or "pandemic") began to impact the Company in February 2020 and has resulted in restrictions by government authorities and the encouragement for Canadians to practice public health measures such as staying at home, social distancing, wearing masks and receiving vaccinations. This has led to increased safety protocols in stores and distribution centres, shifts in consumer demand and consumption, and volatile financial markets. The Company has taken a proactive approach throughout, mobilizing a cross-functional pandemic planning task force with a mandate to monitor and effectively mitigate risks posed to employees, customers and the business.

Management's top priorities remain the health and safety of employees, customers and communities while maintaining a resilient supply chain to meet the needs of Canadians and supporting charitable organizations. The Company continues to invest in increased safety and sanitization products and procedures to ensure customers and employees are protected while shopping and working in stores. Management is closely monitoring the impact of the pandemic on food retail around the world and continues to learn from best practices.

Management anticipates that as lockdowns ease, and consumers shift some spending back to restaurant and hospitality businesses, a percentage of the consumption that has shifted from restaurants and hospitality businesses to grocery stores will remain in grocery stores. The future impact of COVID-19 and government restrictions is uncertain and dependent on the duration and spread of the virus, and ultimately, the successful continued rollout of vaccinations across the country. The Company's balance sheet and cash flow remain strong. As of May 1, 2021, the Company had $891 million in cash and cash equivalents, and had access to approximately $694 million in unutilized, aggregate credit facilities that do not expire until fiscal 2023.

The pandemic has impacted how Canadians shop for food. Canadians are shopping less frequently and purchasing larger basket sizes. Many customers are gravitating to one-stop-shop grocery stores that meet all their household needs and to online grocery.

Beginning in the third quarter, certain provincial governments implemented lockdown restrictions. The Company introduced a temporary Lockdown Bonus for frontline employees in stores and distribution centres in the impacted regions. The Lockdown Bonus was introduced in additional geographies as government-mandated lockdowns were put in place. The cost of these bonuses will be dependent on how long the lockdowns last and how many regions are impacted.

During the fourth quarter, the cost of the Lockdown Bonus and maintaining sanitization and safety measures was approximately $24 million, including $9 million for the Lockdown Bonus. The Company's original estimate of up to $4 million for the Lockdown Bonus was based on the information available at the time; however, during the quarter a higher volume of government-mandated lockdowns occurred across the country resulting in actual costs exceeding the estimate. In the first quarter of fiscal 2022 it is expected the Company will incur approximately $15 million to $20 million (first quarter of fiscal 2021 – $67 million) in selling and administrative expenses related to the increased cost of maintaining sanitization and safety measures, the Lockdown Bonus and other COVID-19 related costs.

OUTLOOK

Management expects that fiscal 2022 will continue to be affected by the COVID-19 pandemic in the early part of the fiscal year, with some normalization of business throughout the year as vaccination rates increase and COVID-19 restrictions are relaxed. Although difficult to predict given the uniqueness of the situation, this is expected to result in increased levels of food consumption outside of the home and related reductions in grocery industry volumes. In addition, consumers are likely to begin shopping more frequently and from a greater number of grocery stores than they have over the past 19 months. Grocery formats that experienced lower relative growth during the pandemic lockdowns, such as discount, should experience higher relative sales. Management does not expect grocery customer behavior to return fully to pre-pandemic levels for the foreseeable future. Fuel volumes are expected to increase as economic activity increases and travel restrictions reduce.

Empire expects that during fiscal 2022, same-store sales will reduce, as industry volumes decrease, compared to the unusually high industry sales in fiscal 2021. Margins will continue to benefit from Horizon initiatives, including private label and promotions optimization, along with the addition of Longo's which has a higher margin rate than Empire as a whole, partially offset by effects of sales mix changes between banners, due to the expected easing of COVID-19 restrictions.

Empire expects improvements in the profitability of its Toronto based e-commerce site as volumes continue to increase and costs reduce due to improved operational efficiencies. At the same time, Voilà total costs will increase as the Montreal facility begins operations and store pick e-commerce is implemented in up to 90 additional stores. In total, the combination of improving results in Toronto, increasing costs in Montreal and additional store pick e-commerce locations is expected to reduce Empire's fiscal 2022 net earnings by approximately $0.25 to $0.30 per share (fiscal 2021 – $0.18). Future earnings will be impacted by the rate of sales growth that is difficult to predict, but management expects that fiscal 2022 will reflect the highest net earnings dilution for the Voilà program, as the Toronto site is expected to begin to reflect positive EBITDA results towards the end of the third year of operations, partially offsetting the impacts of opening new CFCs.

The expansion of the Company's discount business in the West began 26 months ago, and there are now 28 discount stores operating in Western Canada. All stores opened in the first year have improved their results since opening and in aggregate are performing better than the full-service store that they replaced. FreshCo stores opened in the second year are performing better than those opened in the first year. Newer stores are improving efficiencies at a faster rate than the early conversion stores as the business gains critical mass. The Company continues to expand its discount presence in the West with 12 stores in different stages of development and expects to have 40 stores open by the end of fiscal 2022. The net impact of building the discount presence in Western Canada has been relatively immaterial to total earnings, but EBITDA has improved compared to the full-service stores that were converted.

When announcing the Project Horizon strategy, management estimated an increase over the three-year period of $500 million in EBITDA, excluding COVID-19 impacts. At that time, based on the last twelve months ended, February 1, 2020, management further indicated that they expected earnings per share to generate a compound average growth rate of at least 15% over the Project Horizon timeframe. For fiscal 2022, the net impact of lower results related to COVID-19 and the positive effect of Project Horizon initiatives are difficult to estimate. Management still expects the Company will achieve the Project Horizon strategy targets, but growth comparisons in fiscal 2022 for same-store sales and earnings per share in particular, will be affected by a full year of COVID-19 results in fiscal 2021.

Sales

In the prior year, sales increased significantly as there was a shift in consumer buying behaviour and significant stock up activity leading to higher sales in the fourth quarter. While sales continue to trend higher than pre-pandemic levels, consumer behaviour has begun to stabilize causing sales for the quarter ended May 1, 2021 to decrease by 1.3%. The decrease in sales was partially offset by higher fuel sales as a result of increased fuel prices, the expansion of FreshCo in Western Canada and Farm Boy in Ontario, and an increase in e-commerce sales primarily driven by Voilà.

Sales for the fiscal year ended May 1, 2021 increased by 6.3% primarily driven by the impact of COVID-19, market share gains in the Food retailing segment, and the expansion of FreshCo in Western Canada and Farm Boy in Ontario.

Gross Profit

Gross profit for the quarter ended May 1, 2021 decreased by 1.3% primarily as a result of a decrease in sales. In the prior year, gross margin grew to 25.9%, primarily as a result of category reset benefits, the effect of COVID-19 sales mix changes between banners and a less promotional environment. The full extent of these favourable impacts in the prior year was not replicated in the current quarter, however gross margin remained consistent at 25.9% through the use of advanced analytics promotional optimization tools and service department recoveries resulting from closures in the prior year due to COVID-19, offset by the effect of fuel sales and sales mix changes between non-fuel banners.

Gross profit for the fiscal year ended May 1, 2021 increased by 8.5% primarily as a result of increases in sales. Gross margin for the fiscal year increased to 25.5% from 24.9% last year primarily resulting from the use of advanced analytic promotional optimization tools and sales mix changes between banners.

Operating Income

For the quarter ended May 1, 2021, operating income decreased mainly due to lower earnings from the Food retailing segment as a result of lower sales driven by the shift in consumer shopping behaviour in the fourth quarter of the prior year. Although lockdowns have continued to occur during the quarter, the extreme level of stock up activity that occurred when COVID-19 impacts began did not occur during the current year. In addition to lower sales, the decrease in operating income was partially due to a prior year gain on the surrender of a lease. The decrease is partially offset by lower selling and administrative expenses. Selling and administrative expenses decreased as a result of decreased labour costs, resulting from a decrease in the temporary Lockdown Bonus compared to the temporary Hero Pay program in the prior year, partially offset by higher store, distribution centre and backstage teammate compensation accruals, increased Voilà costs and an increase in right-of-use asset depreciation expense.

For the fiscal year ended May 1, 2021, operating income increased mainly due to improved earnings from the Food retailing segment as a result of higher sales driven by the impact of COVID-19, higher gross profit and a $30.3 million gain on a significant sale of property recorded in other income in the first quarter, partially offset by higher selling and administrative expenses. Selling and administrative expenses increased primarily as a result of higher labour costs, higher compensation accruals for store, distribution centre and backstage teammates, spending on sanitization and safety measures, increased costs for Voilà and an increase in right-of-use asset depreciation expense. The increased labour costs substantially relate to the Company's temporary Hero Pay program and the related one-time bonus costs in the first quarter for frontline employees in stores and distribution centres, and the temporary Lockdown Bonus introduced in the third quarter.

Operating income from the Investments and other operations segment for the quarter increased primarily as a result of improved equity earnings from Crombie Real Estate Investment Trust ("REIT").

For the fiscal year, operating income from the Investments and other operations segment decreased primarily as a result of a sale in the prior year of a 15-property portfolio by Crombie REIT, as subsequently discussed in the "Investments and Other Operations" section.

EBITDA

For the quarter ended May 1, 2021, EBITDA decreased to $514.4 million from $527.8 million in the prior year mainly as a result of the same factors affecting operating income. EBITDA margin decreased to 7.4% compared to 7.5% in the prior year.

For the fiscal year ended May 1, 2021, EBITDA increased to $2,143.8 million from $1,892.4 million in the prior year mainly as a result of the same factors affecting operating income. EBITDA margin increased to 7.6% from 7.1%.

Income Taxes

The effective income tax rate for the fourth quarter ended May 1, 2021 was 19.7% compared to 26.0% last year. The current quarter effective tax rate was lower than the statutory rate primarily due to the revaluation of tax estimates, not all of which are recurring, and non-taxable capital items. The effective rate in the prior year was lower than the statutory rate due to non-taxable capital items and differing tax rates of various entities.

The effective income tax rate for the fiscal year ended May 1, 2021 was 25.8% compared to 26.4% last year. The current year effective rate was lower than the statutory rate primarily due to the revaluation of tax estimates and non-taxable capital items offset by differing tax rates of various entities. The prior year's effective rate was lower than the statutory rate primarily due to non-taxable capital items and differing tax rates of various entities.

Net Earnings

	13 Weeks Ended		52 Weeks Ended	
($ in millions, except per share amounts)	**May 1, 2021**	May 2, 2020	**May 1, 2021**	May 2, 2020
Net earnings[1]	**$ 171.9**	$ 177.8	**$ 701.5**	$ 583.5
EPS (fully diluted)	**$ 0.64**	$ 0.66	**$ 2.60**	$ 2.15
Diluted weighted average number of shares outstanding (in millions)	**267.6**	269.7	**269.3**	271.4

(1) Attributable to owners of the Company.

Capital Expenditures

The Company invested $231.6 million and $679.2 million in capital expenditures[1] for the quarter and fiscal year ended May 1, 2021, respectively (2020 – $226.6 million and $574.8 million) including renovations, construction of new stores, construction of an e-commerce fulfilment centre, construction of FreshCo locations in Western Canada and investments in advanced analytics technology and other technology systems. This is in line with management's previously disclosed expectations that capital spending in fiscal 2021 would be between $650 million and $675 million.

In fiscal 2022, capital spending is expected to be approximately $765 million, with approximately half of this investment allocated to renovations and new stores. The Company will open 10 to 15 FreshCo stores in Western Canada and expand the Farm Boy footprint by seven net new stores in Ontario. The Company will also continue to invest approximately 15% of its estimated spending on advanced analytics technology and other technology systems. The Company's total investment in Voilà for fiscal 2022 is expected to be approximately $80 million, including its share of the investment in the Montreal and Calgary CFCs, up to 90 new store pickup locations, additional spokes and the associated investments in technology.

(1) Capital expenditure is calculated on an accrual basis and includes acquisitions of property, equipment and investment properties, and additions to intangibles.

Free Cash Flow

($ in millions)	13 Weeks Ended May 1, 2021	13 Weeks Ended May 2, 2020	52 Weeks Ended May 1, 2021	52 Weeks Ended May 2, 2020
Cash flows from operating activities	**$ 562.3**	$ 887.6	**$ 1,859.6**	$ 2,089.4
Add: proceeds on disposal of assets(1) and lease terminations	**49.7**	26.8	**113.7**	193.1
Less: payments of lease liabilities, net of payments received for finance subleases	**(192.5)**	(138.3)	**(569.3)**	(533.9)
Less: acquisitions of property, equipment, investment property and intangibles	**(210.6)**	(181.3)	**(659.1)**	(617.8)
Free cash flow (2)	**$ 208.9**	$ 594.8	**$ 744.9**	$ 1,130.8

(1) Proceeds on disposal of assets include property, equipment and investment property.
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this News Release.

Free cash flow decreased for the quarter ended May 1, 2021 primarily as a result of a decrease in cash flow from operating activities due to an increase in non-cash working capital, increased income taxes paid and lower cash earnings, and the timing of lease payments due to the reporting quarter end date.

Free cash flow for the fiscal year ended May 1, 2021 decreased primarily as a result of a decrease in cash flow from operating activities due to increased income taxes paid and an increase in non-cash working capital, and a decrease in proceeds on disposals of assets and an increase in capital investments.

FINANCIAL PERFORMANCE BY SEGMENT

Food Retailing

($ in millions)	13 Weeks Ended May 1, 2021	13 Weeks Ended May 2, 2020	13 Weeks Ended $ Change	52 Weeks Ended May 1, 2021	52 Weeks Ended May 2, 2020	52 Weeks Ended $ Change
Sales	**$ 6,920.0**	$ 7,012.4	$ (92.4)	**$ 28,268.3**	$ 26,588.2	$ 1,680.1
Gross profit	**1,795.7**	1,819.5	(23.8)	**7,199.3**	6,633.3	566.0
Operating income	**279.8**	316.7	(36.9)	**1,251.3**	1,040.2	211.1
EBITDA	**499.1**	520.3	(21.2)	**2,094.7**	1,820.7	274.0
Net earnings(1)	**158.3**	169.7	(11.4)	**673.9**	528.1	145.8

(1) Attributable to owners of the Company.

Investments and Other Operations

($ in millions)	13 Weeks Ended May 1, 2021	13 Weeks Ended May 2, 2020	13 Weeks Ended $ Change	52 Weeks Ended May 1, 2021	52 Weeks Ended May 2, 2020	52 Weeks Ended $ Change
Crombie REIT	**$ 11.8**	$ 6.3	$ 5.5	**$ 32.7**	$ 50.7	$ (18.0)
Genstar	**4.4**	2.3	2.1	**21.3**	20.1	1.2
Other operations, net of corporate expenses	**(1.0)**	(1.0)	-	**(5.8)**	0.8	(6.6)
	$ 15.2	$ 7.6	$ 7.6	**$ 48.2**	$ 71.6	$ (23.4)

For the fiscal year ended May 1, 2021, income from Investments and other operations decreased principally due to a sale in the prior year of a 15-property portfolio by Crombie REIT that contributed an additional $15.1 million to the Company's equity earnings and a $6.9 million deferred gain recognition, increased bad debt expense resulting from the impact of COVID-19 on collection of outstanding receivable balances and the impact of the federal government's Canada Emergency Commercial Rent Assistance program. The $6.9 million deferred gain recognition was included in other operations, net of corporate expenses.

CONSOLIDATED FINANCIAL CONDITION

($ in millions, except per share and ratio calculations)		May 1, 2021[1]		May 2, 2020[1]		May 4, 2019
Shareholders' equity, net of non-controlling interest	**$**	**4,372.7**	$	3,924.6	$	4,003.3
Book value per common share[2]	**$**	**16.30**	$	14.51	$	14.72
Long-term debt, including current portion	**$**	**1,225.3**	$	1,675.2	$	2,020.9
Long-term lease liabilities, including current portion	**$**	**5,908.1**	$	5,266.2	$	-
Net funded debt to net total capital[2]		**58.8%**		60.2%		26.8%
Funded debt to EBITDA[2]		**3.3x**		3.7x		1.9x
EBITDA to interest expense[2]		**8.0x**		6.8x		12.4x
Current assets to current liabilities		**0.9x**		0.8x		1.0x
Total assets	**$**	**15,173.9**	$	14,632.9	$	9,602.4
Total non-current financial liabilities	**$**	**7,187.7**	$	6,559.0	$	2,838.1

(1) Key Financial Condition Measures are impacted by the implementation of IFRS 16, "Leases" ("IFRS 16").
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this News Release.

During fiscal 2021, Standard & Poor's ("S&P") upgraded the Company's credit rating from BB+ with a positive outlook to BBB- with a stable outlook. Dominion Bond Rating Service ("DBRS") confirmed Sobeys' rating at BBB (low) with a stable trend. The following table shows Sobeys' credit ratings as at May 1, 2021:

Rating Agency	Credit Rating (Issuer rating)	Trend/Outlook
DBRS	BBB (low)	Stable
S&P	BBB-	Stable

The Company has a $250.0 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2022. As of May 1, 2021, the outstanding amount of the credit facility was $119.8 million (2020 – $62.6 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates.

Sobeys has a $650.0 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2022. As of May 1, 2021, the outstanding amount of the facility was $ nil (2020 – $ nil) and Sobeys has issued $86.1 million in letters of credit against the facility (2020 – $76.4 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates.

On June 2, 2017, Sobeys established a senior, unsecured non-revolving credit facility for $500.0 million. During the second quarter, this facility, originally scheduled to mature on November 4, 2020, was fully repaid.

On December 5, 2018, Sobeys established a senior, unsecured non-revolving credit facility for $400.0 million. The facility was fully utilized on December 10, 2018, with the proceeds used to fund part of the Farm Boy acquisition. During the third quarter, this facility, originally scheduled to mature on December 10, 2020, was fully repaid.

The Company believes its cash and cash equivalents on hand, approximately $694 million in unutilized, aggregate credit facilities as of May 1, 2021, and cash generated from operating activities will enable the Company to fund future capital investments, pension plan contributions, working capital, current funded debt obligations and ongoing business requirements. The Company also believes it has sufficient funding in place to meet these requirements and other short and long-term financial obligations., such as the acquisition of Longo's. The Company mitigates potential liquidity risk by ensuring its sources of funds are diversified by term to maturity and source of credit.

For additional information on Empire's long-term debt, see Note 16 of the Company's audited annual consolidated financial statements for the fiscal year ended May 1, 2021.

Strategic Focus

In the first quarter of fiscal 2021, the Company launched Project Horizon, a three-year growth plan focused on core business expansion and the acceleration of e-commerce. The Company is on track to achieve a targeted incremental $500 million in annualized EBITDA and an improvement in EBITDA margin of 100 basis points by fiscal 2023 by (i) growing market share and (ii) building on cost and margin discipline.

For additional detail on Project Horizon, please refer to Empire's Management's Discussion and Analysis ("MD&A") for the fiscal year ended May 1, 2021.

Business Update

Farm Boy

The acquisition of Farm Boy on December 10, 2018 added 26 locations to the store network throughout Ontario with plans to double the store count in five years from the acquisition date, mainly in the Greater Toronto Area (“GTA”). During the fourth quarter, the Company opened one new location for a total of seven new stores and one relocation in fiscal 2021. The eighth store, originally expected to open in fiscal 2021, opened during the first week of fiscal 2022 due to COVID-19 construction delays. As of May 17, 2021, the Company has reached the halfway mark in its expansion goal of the Farm Boy banner in Ontario.

Since the acquisition, the Company now has 44 confirmed Farm Boy locations in Ontario:

- 39 Farm Boy stores currently open and operating as at June 22, 2021
- 5 Farm Boy stores expected to open in the remainder of fiscal 2022, net of one closure

In fiscal 2022, the Company has opened two stores to date and expects to open five additional Farm Boy stores in Ontario, net of one closure, aligned with its plans to open approximately 20 new locations throughout the three years of Project Horizon.

FreshCo

In fiscal 2018, the Company announced plans to expand the FreshCo discount format to Western Canada with expectations of converting up to 25% of the 255 Safeway and Sobeys full-service format stores in Western Canada to the FreshCo discount format.

The Company expects to have 40 locations open in Western Canada by the end of fiscal 2022 – over half of the original estimate. The Company opened 15 FreshCo stores this fiscal year, achieving the fiscal 2021 Project Horizon target.

Of the 40 confirmed FreshCo locations:

- 28 stores currently open and operating at June 22, 2021:
  - 16 in British Columbia (“B.C.”)
  - 6 in Manitoba
  - 4 in Saskatchewan
  - 2 in Alberta
- 12 stores expected to open in fiscal 2022:
  - 10 in Alberta
  - 1 in Saskatchewan
  - 1 in Northern Ontario

Business Acquisition

On March 16, 2021, the Company, through a wholly-owned subsidiary, signed an agreement to acquire 51% of the business of Longo’s, a long-standing, family-built network of specialty grocery stores in the GTA, and the Grocery Gateway e-commerce business, for a total purchase price of $357.0 million.

Subsequent to the fiscal year ended May 1, 2021, on May 4, 2021, Sobeys received a no-action letter from the Canadian Competition Bureau in relation to the Longo’s transaction. The transaction closed on May 10, 2021. The transaction was financed through the issuance of 3,187,348 Class A shares to the vendors at a price of $39.22 per share, representing $125.0 million, cash of $193.6 million and acquired debt of $38.4 million. The purchase price is subject to final closing adjustments.

Store Closure, Conversion and Labour Buyout Costs

In the fourth quarter ended May 1, 2021, the Company reversed $1.1 million in accrued store closure and conversion costs primarily related to Farm Boy and FreshCo conversions (2020 – $4.2 million related to store conversions and labour buyouts).

As a result of these reversals, the net fiscal 2021 expense was $29.5 million (2020 – $7.0 million).

Ratification of New Collective Bargaining Agreement in Alberta

During the first quarter, the Company announced the ratification of a new Collective Bargaining Agreement ("CBA") for Alberta Safeway stores with UFCW 401, the Union representing the majority of Safeway teammates in Alberta. The five-year CBA is competitive within the Alberta market, placing the Company on a level playing field and providing flexibility and stability to better manage operational and labour costs in the province. The CBA also provides a pathway to advance the Company's plans to expand the FreshCo discount banner in Alberta.

The CBA included a one-time retroactive lump sum payment to Safeway Alberta teammates for hours worked over the past three years. The one-time retroactive lump sum payment of $14.8 million associated with this CBA was fully paid in the second quarter.

Supply Chain

During the fourth quarter, the Company consolidated two distribution centres in Quebec. All frozen items for the province of Quebec are now located in one distribution centre which creates a more effective supply chain.

During the first quarter, the Company opened a new distribution centre in B.C., which consolidates three previous distribution centres into one facility, securing a centralized location which increases capacity and efficiency in the network.

Voilà

On June 22, 2020, the Company introduced the future of online grocery home delivery to the GTA through the Company's newest e-commerce platform, *Voilà by Sobeys*. Voilà is powered by Ocado Group plc's ("Ocado") industry-leading technology and fills orders through its automated customer fulfilment centre ("CFC") in Vaughan, Ontario. Robots assemble orders efficiently and safely, resulting in minimal product handling, while Voilà teammates deliver orders directly to the customer's home.

The Vaughan CFC, which is already servicing the GTA, Barrie, Kitchener, Waterloo, Guelph, and Hamilton, has recently extended its service area to include Niagara, St. Catharines and Brantford. The format is exceeding all Food retailing targets, with strong on-time delivery, fulfilment, and customer satisfaction and retention results.

In the third quarter of fiscal 2021, Crombie REIT completed the construction of the building for Voilà's second CFC in Montreal and turned it over to Ocado to build the internal technology. The CFC is expected to be ready to deliver to customers in early calendar 2022. This second CFC will support the launch of *Voilà par IGA* which will serve major cities in the province of Quebec.

The Company has accelerated its plans for e-commerce and intends to have four CFCs across Canada. The third CFC will be located in Calgary and will service the majority of Alberta. It is expected to deliver to customers in the first half of calendar 2023. With only four CFCs, the Company will be able to serve approximately 75% of Canadian households representing approximately 90% of Canadians' e-commerce spend.

In fiscal 2021, the Company launched Voilà Curbside Pickup service at 30 store locations across Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island and Alberta, and expects to add up to 90 new store locations in fiscal 2022. The Company plans to expand to hundreds of stores across the country over the next few years. The store pick solution is powered by Ocado's technology and will serve customers in areas where future CFCs will not deliver or are not yet built.

Voilà had a $0.04 and $0.18 dilutive impact after tax on earnings per share in the fourth quarter and fiscal year ended May 1, 2021, respectively (2020 – $0.01 and $0.04).

In Canada, online grocery sales have continued to grow, although at a slower pace than when COVID-19 began. The Company's three e-commerce formats experienced combined sales growth of 15% in the fourth quarter compared to the prior year.

SUBSEQUENT EVENT

Subsequent to the fiscal year ended, May 1, 2021, on May 19, 2021, Crombie REIT announced it had closed a bought-deal public offering of units at a price of $16.60 per unit for aggregate proceeds of $100.0 million. Concurrent with the public offering, a wholly-owned subsidiary of the Company purchased, on a private placement basis, $41.5 million of Class B LP units to maintain a 41.5% interest in Crombie REIT.

Subsequent to the fiscal year ended, May 1, 2021, on May 10, 2021, the Company, through a wholly-owned subsidiary closed the transaction to acquire 51% of the business of Longo's as discussed in the "Business Update" section of this News Release.

FORWARD-LOOKING INFORMATION

This document contains forward-looking statements which are presented for the purpose of assisting the reader to contextualize the Company's 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 "anticipates", "expects", "believes", "estimates", "intends", "could", "may", "plans", "predicts", "projects", "will", "would", "foresees" 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 initiatives and impacts of COVID-19 including changes in customer behaviour;
- The Company's expectations regarding the financial benefits of Project Horizon along with the continued expansion and renovation of the store network, promotional optimization, data analytics and strategic sourcing efficiencies, which could be impacted by several factors, including the time required by the Company to complete initiatives and impacts of COVID-19 including changes in customer behaviour;
- The Company's plans to purchase for cancellation Class A shares under its NCIB which may be impacted by market and economic conditions, changes in laws and regulations, and the results of operations;
- 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, the projected number of store openings, and the location, feasibility and timing of construction, all of which may be impacted by COVID-19, construction schedules and permits, the economic environment and labour relations;
- The Company's expectation that its cash and cash equivalents on hand, unutilized credit facilities and cash generated from operating activities will enable the Company to fund future capital investments, pension plan contributions, working capital, current funded debt obligations and ongoing business requirements, and its belief that it has sufficient funding in place to meet these requirements and other short and long-term obligations, all of which could be impacted by changes in the economic environment;
- The Company's expectations that fiscal 2022 will reflect the highest net earnings dilution for the Voilà program, as the Toronto site is expected to begin to reflect positive results towards the end of the third year of operations, which may be impacted by COVID-19, future operating and capital costs, customer response to the service and the performance of its technology provider, Ocado;

- The Company's expectations regarding the implementation of its online grocery home delivery service, its plans to expand its Voilà Curbside Pickup service, and the expected dilutive effect on Empire's earnings per share of approximately $0.25 – $0.30 per share in fiscal 2022, which may be impacted by COVID-19, future operating and capital costs, customer response to the service and the performance of its technology provider, Ocado;

- The Company's anticipation that a percentage of food consumption that has shifted from restaurants and hospitality businesses to grocery stores will remain in grocery stores, which may be impacted by the duration of shutdowns due to COVID-19, the ability for restaurants and hospitality businesses to re-open and resume operations, and the ongoing demand for restaurants and hospitality services in the near term;

- The Company's expectation that it will incur approximately $15 million to $20 million in the first quarter in selling and administrative expenses to respond to COVID-19, which may be impacted by the duration of the shutdown due to COVID-19 and safety precautions required;

- The Company's expectations regarding the timing and amount of expenses relating to the completion of any future CFCs which may be impacted by supply of materials and equipment, construction schedules and capacity of construction contractors; and

- The Company's estimates regarding future capital expenditures which includes renovations and new stores, spending on advanced analytics technology and other technology systems, acquisitions of property, equipment and investment properties, and additions to intangibles, which may be impacted by operating results, impacts of the pandemic and the economic environment.

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 the fiscal 2021 annual MD&A.

Although the Company believes the predictions, forecasts, expectations or conclusions reflected in the forward-looking information are reasonable, it can provide no assurance that such matters will prove correct. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. The forward-looking information in this document reflects the Company's current expectations and is subject to change. The Company does not undertake to update any forward-looking statements that may be made by or on behalf of the Company other than as required by applicable securities laws.

NON-GAAP FINANCIAL MEASURES & FINANCIAL METRICS

There are measures and metrics 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 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.

Empire's definition of the non-GAAP terms are as follows:

- Same-store sales are sales from stores in the same location in both reporting periods.
- Gross profit is calculated as sales less cost of sales.
- Gross margin is gross profit divided by sales.
- Earnings before interest, taxes, depreciation and amortization ("EBITDA"), is calculated as net earnings, before finance costs (net of finance income), income tax expense, depreciation and amortization of intangibles.
- EBITDA margin is EBITDA divided by sales.

- Free cash flow is calculated as cash flows from operating activities, plus proceeds on disposal of property, equipment and investment property, less acquisitions of property, equipment, investment property and intangibles.
- Book value per common share is shareholders' equity, net of non-controlling interest, divided by total common shares outstanding.
- Funded debt is all interest-bearing debt, which includes bank loans, bankers' acceptances, long-term debt and long-term lease liabilities.
- Net funded debt is calculated as funded debt less cash and cash equivalents.
- Net total capital is calculated as funded debt plus shareholders' equity, net of non-controlling interest, less cash and cash equivalents.
- Net funded debt to net total capital ratio is net funded debt divided by net total capital.
- Funded debt to EBITDA ratio is funded debt divided by trailing four-quarter EBITDA.
- Interest expense is calculated as interest expense on financial liabilities measured at amortized cost and interest expense on lease liabilities.
- EBITDA to interest expense ratio is trailing four-quarter EBITDA divided by trailing four-quarter interest expense.

For a more complete description of Empire's non-GAAP measures and metrics, please see Empire's MD&A for the fiscal year ended May 1, 2021.

CONFERENCE CALL INFORMATION

The Company will hold an analyst call on Thursday, June 23, 2021 beginning at 12:30 p.m. (Eastern Daylight Time) during which senior management will discuss the Company's financial results for the fourth quarter of fiscal 2021. To join this conference call, dial (888) 390-0546 outside the Toronto area or (416) 764-8688 from within the Toronto area. To secure a line, please call 10 minutes prior to the conference call; you will be placed on hold until the conference call begins. The media and investing public may access this conference call via a listen mode only. You may also listen to a live audiocast of the conference call by visiting the "Quick Links" section of the Company's website located at www.empireco.ca.

Replay will be available by dialing (888) 390-0541 and entering access code 028330 until midnight July 7, 2021, or on the Company's website for 90 days following the conference call.

SELECTED FINANCIAL INFORMATION

The following financial information is derived from our audited annual consolidated financial statements for the year ended May 1, 2021. The financial information does not include all disclosures required by IFRS and should be read in conjunction with the Company's 2021 audited consolidated financial statements available at www.sedar.com or by accessing the Investor Centre section of the Company's website at www.empireco.ca.

Empire Company Limited
Consolidated Balance Sheets
As At
(in millions of Canadian dollars)

	May 1 2021	May 2 2020
ASSETS		
Current		
Cash and cash equivalents	**$ 890.5**	$ 1,008.4
Receivables	**547.0**	535.3
Inventories	**1,500.1**	1,489.4
Prepaid expenses	**101.0**	113.1
Leases and other receivables	**91.0**	68.4
Income taxes receivable	**60.5**	34.8
Assets held for sale	**3.4**	6.1
	3,193.5	3,255.5
Leases and other receivables	**544.2**	580.8
Investments, at equity	**570.1**	607.5
Other assets	**22.3**	28.7
Property and equipment	**2,977.6**	2,883.4
Right-of-use assets	**4,678.9**	4,033.5
Investment property	**158.6**	114.0
Intangibles	**976.0**	968.8
Goodwill	**1,577.8**	1,573.7
Deferred tax assets	**474.9**	587.0
	$ 15,173.9	$ 14,632.9
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 2,874.1**	$ 2,951.9
Income taxes payable	**22.1**	23.2
Provisions	**55.0**	48.7
Long-term debt due within one year	**46.5**	570.0
Lease liabilities due within one year	**490.5**	466.2
	3,488.2	4,060.0
Provisions	**46.5**	54.7
Long-term debt	**1,178.8**	1,105.2
Long-term lease liabilities	**5,417.6**	4,800.0
Other long-term liabilities	**100.1**	97.5
Employee future benefits	**254.0**	304.1
Deferred tax liabilities	**190.7**	197.5
	10,675.9	10,619.0
SHAREHOLDERS' EQUITY		
Capital stock	**1,969.8**	2,013.2
Contributed surplus	**25.2**	23.2
Retained earnings	**2,363.1**	1,872.1
Accumulated other comprehensive income	**14.6**	16.1
	4,372.7	3,924.6
Non-controlling interest	**125.3**	89.3
	4,498.0	4,013.9
	$ 15,173.9	$ 14,632.9

Empire Company Limited
Condensed Consolidated Statements of Earnings
(in millions of Canadian dollars, except share and per share amounts)

	13 Weeks Ended		52 Weeks Ended	
	May 1 2021	**May 2 2020**	**May 1 2021**	**May 2 2020**
Sales	**$ 6,920.0**	$ 7,012.4	**$ 28,268.3**	$ 26,588.2
Other income	**5.1**	26.7	**53.0**	69.2
Share of earnings from investments, at equity	**15.5**	8.3	**51.4**	71.8
Operating expenses				
Cost of sales	**5,124.3**	5,192.9	**21,069.0**	19,954.9
Selling and administrative expenses	**1,521.3**	1,530.2	**6,004.2**	5,662.5
Operating income	**295.0**	324.3	**1,299.5**	1,111.8
Finance costs, net	**66.7**	69.0	**269.4**	279.1
Earnings before income taxes	**228.3**	255.3	**1,030.1**	832.7
Income tax expense	**45.0**	66.5	**265.9**	219.9
Net earnings	**$ 183.3**	$ 188.8	**$ 764.2**	$ 612.8
Earnings for the period attributable to:				
Non-controlling interest	**$ 11.4**	$ 11.0	**$ 62.7**	$ 29.3
Owners of the Company	**171.9**	177.8	**701.5**	583.5
	$ 183.3	$ 188.8	**$ 764.2**	$ 612.8
Earnings per share				
Basic	**$ 0.65**	$ 0.66	**$ 2.61**	$ 2.16
Diluted	**$ 0.64**	$ 0.66	**$ 2.60**	$ 2.15
Weighted average number of common shares outstanding, in millions				
Basic	**266.5**	269.0	**268.3**	270.4
Diluted	**267.6**	269.7	**269.3**	271.4

Empire Company Limited **Consolidated Statements of Cash Flows** **(in millions of Canadian dollars)**	*13 Weeks Ended* **May 1 2021**	*13 Weeks Ended* **May 2 2020**	*52 Weeks Ended* **May 1 2021**	*52 Weeks Ended* **May 2 2020**
Operations				
Net earnings	**$ 183.3**	$ 188.8	**$ 764.2**	$ 612.8
Adjustments for:				
Depreciation	**200.2**	186.7	**768.7**	709.1
Income tax expense	**45.0**	66.5	**265.9**	219.9
Finance costs, net	**66.7**	69.0	**269.4**	279.1
Amortization of intangibles	**19.2**	16.8	**75.6**	71.5
Net gain on disposal of assets and lease terminations	**(1.7)**	(21.9)	**(37.1)**	(51.7)
Impairment of non-financial assets, net	**2.5**	5.4	**1.6**	1.9
Amortization of deferred items	**0.8**	2.4	**2.2**	3.2
Equity in earnings of other entities, net of distributions received	**(0.7)**	13.7	**35.7**	28.0
Employee future benefits	**(3.4)**	(2.4)	**(8.4)**	(9.3)
Decrease in long-term provisions	**(5.2)**	(0.3)	**(10.5)**	(17.7)
Equity based compensation	**4.4**	2.0	**11.8**	6.2
Net change in non-cash working capital	**105.0**	376.1	**(80.9)**	279.3
Income taxes paid, net	**(53.8)**	(15.2)	**(198.6)**	(42.9)
Cash flows from operating activities	**562.3**	887.6	**1,859.6**	2,089.4
Investment				
Property, equipment and investment property purchases	**(117.8)**	(155.1)	**(566.3)**	(548.8)
Additions to intangibles	**(92.8)**	(26.2)	**(92.8)**	(69.0)
Proceeds on disposal of assets and lease terminations	**49.7**	26.8	**113.7**	193.1
Leases and other receivables, net	**(18.8)**	18.1	**(30.2)**	20.6
Other assets and other long-term liabilities	**5.0**	(17.6)	**4.6**	4.1
Business acquisitions	**(5.5)**	(13.4)	**(15.9)**	(19.2)
Payments received for finance subleases	**26.4**	19.9	**79.1**	76.4
Interest received	**1.0**	2.6	**5.5**	8.0
Increase in equity investments	**-**	(41.5)	**-**	(41.5)
Cash flows used in investing activities	**(152.8)**	(186.4)	**(502.3)**	(376.3)
Financing				
Issuance of long-term debt	**19.5**	16.7	**86.4**	80.8
Repayments of long-term debt	**(12.3)**	(7.6)	**(69.4)**	(85.2)
Advances (repayments) on credit facilities, net	**46.5**	(20.0)	**(467.8)**	(313.1)
Interest paid	**(21.7)**	(27.0)	**(60.4)**	(83.5)
Payments of lease liabilities (principal portion)	**(161.8)**	(100.7)	**(420.1)**	(392.1)
Payments of lease liabilities (interest portion)	**(57.1)**	(57.5)	**(228.3)**	(218.2)
Repurchase of Non-Voting Class A shares	**(80.6)**	-	**(153.6)**	(100.0)
Dividends paid, common shares	**(34.6)**	(32.3)	**(139.4)**	(129.7)
Non-controlling interest	**(1.2)**	(1.6)	**(22.6)**	(17.0)
Cash flows used in financing activities	**(303.3)**	(230.0)	**(1,475.2)**	(1,258.0)
Increase (decrease) in cash and cash equivalents	**106.2**	471.2	**(117.9)**	455.1
Cash and cash equivalents, beginning of period	**784.3**	537.2	**1,008.4**	553.3
Cash and cash equivalents, end of period	**$ 890.5**	$ 1,008.4	**$ 890.5**	$ 1,008.4

2021 ANNUAL REPORT

The Company's audited consolidated financial statements and the notes thereto for the fiscal year ended May 1, 2021 and MD&A for the fiscal year ended May 1, 2021, which includes discussion and analysis of results of operations, financial position and cash flows will be available today, June 23, 2021. These documents can be accessed through the Investor Centre section of the Company's website at www.empireco.ca and also at www.sedar.com.

The Company's 2021 Annual Report will be available on or about July 23, 2021 and can be accessed through the Investor Centre section of the Company's website at www.empireco.ca and also at www.sedar.com.

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 $28.3 billion in annual sales and $15.2 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 134,000 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.

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