Q2 F23 Earnings

December 15, 2022

empire COMPANY LIMITED

Second Quarter Highlights

- EPS of $0.73 compared to $0.66 last year; an increase of 10.6%
- Same-store sales, excluding fuel, increased by 3.1%.
- Gross margin, excluding fuel, increased by 58 basis points.
- Net earnings increased by 8.3%.
- Project Horizon strategy on track.
- Between August and November 2022, *Scene+* was successfully launched in Atlantic Canada, Western Canada and Ontario. Additional regional launches are planned by late fiscal 2023.
- Four e-commerce platforms experienced combined sales growth of 4.6%. The increase is primarily driven by the continued strong growth of Voilà.
- 4.4 million of Non-Voting Class A shares repurchased to date in fiscal 2023 for $169.0 million.
- Empire and Sobeys renewed their credit facilities for another 5 years.
- All 56 retail fuel sites in Western Canada to be sold for approximately $100 million.
  - As these fuel sites do not have a meaningful convenience store business, we determined they were not core to our business.
  - Empire expects the transaction to close in the first quarter of fiscal 2024. Proceeds will be used by Empire for general corporate purposes.
  - **KPMG** has served as Empire's sole advisor on this transaction. **Stewart McKelvey** served as legal counsel.
- On November 4, Empire experienced some IT system issues related to a cybersecurity event (the "Cybersecurity Event"). Upon discovery, the Company immediately activated its business continuity plans, including the engagement of world-class experts, isolated the source, and implemented measures to prevent further spread. See page 6 of the News Release for further detail on the Cybersecurity Event.
  - Based on an initial assessment, management estimates the financial impact of the Cybersecurity Event on the fiscal 2023 annual net earnings will be approximately $25 million, net of insurance recoveries. This will be excluded from Empire's assessment of Project Horizon.

Second Quarter Financial Summary

	Quarter 2	
	Actual	**Last Year**
Sales	$7,643	$7,318
Same-store sales, excluding fuel	*3.1%*	*(1.3%)*
Gross Profit	$1,955	$1,851
Gross margin %	*25.6%*	*25.3%*
Selling and Administrative Costs	$1,668	$1,554
Selling and administrative %	*21.8%*	*21.2%*
EBITDA	$584	$565
EBITDA margin %	*7.6%*	*7.7%*
Earnings per Share – diluted	$0.73	$0.66
Free Cash Flow	($127)	$130
Capital Expenditures	$255	$189

Outlook

- The Company expects same-store sales will grow in fiscal 2023.
- Same-store sales growth was 3.1% compared to a decline of 1.3% in the same quarter last year, and growth of 0.4% in Q1 F23.
- Margins will continue to benefit from Project Horizon initiatives and other operating improvements.
- The industry continues to experience inflationary pressures, particularly related to cost of goods sold and fuel.
    - Although it is difficult to estimate how long these pressures will last, the Company is focused on supplier relationships and negotiations to ensure competitive pricing for consumers.
- The industry continues to experience supply chain challenges due to ongoing labour shortages.
    - Although it is difficult to estimate the duration of these challenges, management remains focused on utilizing alternative sourcing options where necessary and does not expect significant adverse impacts to its supply chain.
- The Company expects continued improvements in the results of Voilà's Toronto Customer Fulfilment Centre ("CFC") as volumes increase and efficiencies improve. At the same time, Voilà will also incur additional costs as the Montreal CFC continues to ramp up and the Calgary and Vancouver CFCs are commissioned.
    - The ramp up of the Montreal CFC is expected to have higher costs in the first half of fiscal 2023 with improving results in the remainder of the year.
- Management continues to expect to achieve its Project Horizon targets and that associated benefits will continue into fiscal 2024 and beyond, including initiatives launching in fiscal 2023 that are focused on loyalty, store optimization and customer experience.

Project Horizon

PROJECT HORIZON

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.

To be achieved through:

1) **Growth in market share**
   - Invest in Empire's Store Network
   - Improve Store Space Productivity
   - Win Canadian Grocery E-Commerce
   - Grow the Company's Own Brands Portfolio
   - Provide Best in Class Customer Personalization
2) **Building on cost and margin discipline**
   - Drive Non-Merchandising Sourcing Efficiencies
   - Continue to Build Merchandising Sourcing Efficiencies
   - Invest in Best-in-Class Analytics to Improve Customer Value Proposition
   - Optimize Supply Chain Productivity
   - Improve System and Process

Benefits are expected to ramp up over the three-year period with the largest benefits reflected in year three.

Large portion of benefits are expected to be achieved through initiatives related to store productivity, private label, store renovations, and new stores.

Management believes that the Company can continue to grow faster than its key competitors, improving EBITDA margin by another 100 basis points on a higher sales base.

- The Company is on track to generate a compound average growth rate in earnings per share of at least 15% over Project Horizon's three-year timeframe, based on trailing twelve-month EPS at Q3 F20 as a proxy for fiscal 2020 (last quarter before COVID-19 impact).

For additional detail on Project Horizon please click here to view Empire's Management's Discussion and Analysis ("MD&A") for the second quarter ended November 5, 2022.

In the first quarter of fiscal 2021, the Company launched Project Horizon, a three-year strategy focused on core business expansion and the acceleration of e-commerce. In its third and final year, the Company remains on track to achieve an incremental $500 million in annualized EBITDA and an improvement in EBITDA margin of 100 basis points by fiscal 2023 by growing market share and building on cost and margin discipline.

In fiscal 2022, benefits were achieved from promotional optimization and data analytics, the continued expansion and renovation of the store network, and strategic sourcing efficiencies. Benefits achieved in fiscal 2022 were partially offset by the planned investment in the Company's e-commerce network.

These initiatives continue to deliver benefits in fiscal 2023. Additional benefits are expected from strategic initiatives launched more recently as part of Project Horizon, including *Scene+*, the Company's new loyalty program. In August 2022, *Scene+* was successfully launched in Atlantic Canada followed by Western Canada in September 2022 and Ontario in November 2022.

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Project Horizon – Store Network Optimization

- Empire plans to renovate approximately 30% of its store network over the course of Horizon (three years).
- The Company invested $255 million in capital expenditures in Q2 (2022 – $189 million), including renovations and construction of new stores, investments in advanced analytics technology and other technology systems, FreshCo stores in Western Canada and Voilà CFCs.
- In fiscal 2023, capital spending is expected to be approximately $800 million, with approximately half of this investment allocated to renovations and new stores.

Number of locations Renovated/Converted

F21	F22	F23	
Total	Total	Q1	Q2
88	132	22	17

Foodland, Shelburne

BEFORE

AFTER

Thrifty Foods, Parkville

BEFORE

AFTER

Project Horizon – Discount West Expansion

Empire expects to convert up to 25% of the 255 Safeway and Sobeys full-service format stores in Western Canada to the FreshCo banner.

The Company opened one FreshCo store in Alberta during Q2. The Company expects to open two additional FreshCo stores by the end of fiscal 2023.

As at December 14, 2022:

42 stores open and operating:

- 16 in British Columbia
- 14 in Alberta
- 6 in Manitoba
- 5 in Saskatchewan
- 1 in Northern Ontario

2 additional stores are expected to open by the end of fiscal 2023.

Store Closure, Conversion and Lease Terminations

- During the second quarter of fiscal 2023, the Company expensed recorded a recovery of $1.6 million in accrued store closure and conversion costs related to FreshCo conversions.

Project Horizon – Voilà Timeline

F2019

January 2018
- Sobeys signs agreement with Ocado to bring world's leading online grocery delivery solution to Canada.
- Central Fulfilment Centre ("CFC") #1 announced in the GTA.

F2020

May 2019 – CFC #2 announced in Montreal.

F2021

June 2020 – **Voilà by Sobeys launches for GTA customers. (CFC #1)**

September 2020 – Launched curbside pickup service, starting in Nova Scotia.

December 2020 – **CFC #3 announced in Calgary, Alberta**

F2022

November 2021 – E-commerce option available for customers in every province.

January 2022 – Ocado announces new innovations, including next generation robots and grids, to be considered for future CFCs(1).

February 2022 – **CFC #4 announced in Greater Vancouver Area, British Columbia.**

March 2022 – **Voilà par IGA launches for Quebec customers. (CFC #2)**

April 2022 – Voilà by Sobeys expands to Ottawa via Spoke facility. From CFC #1.

F2023

May 2022 – **Voilà par IGA rollout completed, now services 100+ municipalities from Gatineau to Montreal to Quebec City.**
- CFC #2 progressing well; increasing weekly order volume, strong customer experience metrics including on-time delivery & fulfilment.

F2024

First Quarter F24 – Calgary CFC to open.

F2025

Greater Vancouver CFC to open.

CFC #3 – Calgary (in progress)

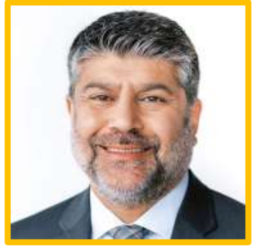
CFC #2 – Montreal (now delivering)

(1) For more information on Ocado's announcement and a replay of their event, please click here.

Empire's Executive Committee

Michael Medline
President &
Chief Executive Officer

Pierre St-Laurent
Chief Operating Officer



Vivek Sood
Related Businesses

Matt Reindel
Chief Financial Officer

Bruce Burrows
Chief Information Officer

Simon Gagné
Chief Human Resources Officer

Sandra Sanderson
Marketing

Doug Nathanson
EVP, Chief Development Officer & General Counsel

Mohit Grover
Innovation, Sustainability

Julie van Wyck
Chief of Staff, Office of the CEO

Sarah Joyce
E-commerce

Mike Venton
Discount Format

Bonnie Birollo
Retail Operations

Luc L'Archeveque
Chief Merchandising Officer

Andrew Walker
Communications & Corporate Affairs

Mark Holly
Real Estate

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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 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:

- Management's expectations regarding the scope and impact of the Cybersecurity Event, including the level of disruption, the estimate of the impact on its financial results and the timing for complete rectification. These statements and expectations may be impacted by several factors including the nature and timing of the insurance outcome, availability of resources, continued analysis of the systems and the disruptions being experienced, effectiveness of workaround processes and the time required to remove workaround processes;
- The Company's expectations on the timing of the disposition of all 56 retail fuel sites, which may be impacted by regulatory approval and closing conditions;
- The Company's expectations regarding the financial impact and benefits of Project Horizon and its underlying initiatives, which could be impacted by several factors, including the time required by the Company to complete the initiatives and the effects of inflationary pressures;
- The Company's expectation of the impacts of cost inflationary pressures, which may be impacted by supplier relationships and negotiations and the macro-economic environment;
- The Company's expectation that labour shortages will not have further significant impact on supply chain challenges, which may be impacted by labour force availability;
- The Company's expectations that fiscal 2023 will achieve growth of same-store sales, which may be impacted by the effects of inflationary pressures on consumer buying behaviours;
- The Company's expectations for net earnings dilution for the Voilà program for fiscal 2023, which may be impacted by future operating and capital costs, customer response and the performance of its technology provider, Ocado;
- 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 construction schedules and permits, the economic environment and labour relations;
- The Company's plans to purchase for cancellation Class A shares under the normal course issuer bid, which may be impacted by market and economic conditions, availability of sellers, changes in laws and regulations, and the results of operations; and
- The Company's expectations regarding the amount and timing of expenses relating to the completion of any future CFC, which may be impacted by supply of materials and equipment, construction schedules and capacity of construction contractors.

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 2022 annual MD&A.

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.

For a more complete description of Empire's non-GAAP measures and metrics, please see the section headed "Non-GAAP Financial Measures & Financial Metrics" in Empire's MD&A for the second quarter ended November 5, 2022 available on SEDAR at www.sedar.com, which section is incorporated by reference into this press release.