

# Q2 F24 Earnings

December 14, 2023

# Disclaimers

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## Forward-Looking Information

This presentation 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 aim to increase total adjusted EPS through net earnings, growth, and share repurchases, as well as its intention to continue improving sales, gross margin (excluding fuel) and adjusted EBITDA margin, all of which could be impacted by several factors including a prolonged unfavourable macro-economic environment and unforeseen business challenges, as well as the factors identified in the "Risk Management" section of the fiscal 2023 annual MD&A;
- The Company's plan to invest \$775 million capital in its network in fiscal 2024, including store expansions and renovations and renovate approximately 20% to 25% of the network over the next three years which could be impacted by cost of materials, availability of contractors, operating results, and other macro-economic impacts;
- The Company's plans to further grow and enhance the Own Brand portfolio, which may be impacted by future operating costs and customer response;
- The Company's expectation that it will continue to focus on driving efficiency and cost effectiveness initiatives which could be impacted by supplier relationships, labour relations, and other macro-economic impacts;
- The Company's plans to purchase for cancellation Class A shares under the normal course issuer bid, which may be impacted by market and macro-economic conditions, availability of sellers, changes in laws and regulations, and the results of operations;
- The Company's expectation that it will continue its e-commerce expansion with Voilà, which may be impacted by future operating and capital costs, customer response and the performance of its technology provider, Ocado; and
- The Company's expectations regarding the amount and timing 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.

## Non-GAAP Financial Measures & Financial Metrics

There are measures and metrics included in this investor presentation 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.

In addition, management adjusts measures and metrics, including operating income, EBITDA and net earnings in an effort to provide investors and analysts with a more comparable year-over-year performance metric than the basic measure by excluding certain items. These items may impact the analysis of trends in performance and affect the comparability of the Company's core financial results. By excluding these items, management is not implying they are non-recurring.

For a more complete description of Empire's non-GAAP measures and metrics, please see Empire's Management's Discussion and Analysis for the first quarter ended August 5, 2023.

# Highlights and Outlook: Q2-F24

## Q2 F2024 Highlights

- Same-store sales, excluding fuel, increased by 2.0%.
- Gross margin, excluding fuel, increased by 5 bps.
- EPS and adjusted EPS of \$0.72 and \$0.71 respectively. Adjustments include:
  - Insurance recoveries related to the Cybersecurity Event; \$15.2 million, net of taxes
  - Costs incurred to plan and implement strategies to optimize the organization and improve efficiencies; \$12.4 million, net of taxes
- Prior year EPS and adjusted EPS were \$0.73.
- As of December 12, 2023, Company has purchased 6,666,571 Class A shares in fiscal 2024 for total consideration of \$243.0 million.
- Voilà sales increased by 15.4%. According to third-party market data, Voilà continued to increase its national market share within the e-commerce channel.

## Outlook / Business Updates

- Demonstrated resiliency as consumers retrenched slightly as an effect of prolonged inflation and higher interest rates.
- Internal food inflation continued to be slightly below the reported Consumer Price Index for food purchased from stores of 6.1% (2023 – 11.1%).
- In Q2, the Company complied with the federal government’s request for all major Canadian grocery retailers to submit plans to help further stabilize food prices for Canadians. The Company continues to focus on supplier relationships and negotiations to ensure competitive pricing for customers.
- Capex for fiscal 2024 is expected to be \$775 million, with half allocated to renovations and new store expansion. The Company is planning to renovate approximately 20% to 25% of the network over the next three years.
- Over the first five weeks of Q3, the Company’s same-store sales growth, excluding fuel, has improved compared to Q2.

# Second Quarter Financial Summary

## Q2 F2024 Results

(\$ million, unless otherwise noted)	Q2 F24 13 weeks	Q2 F23 13 weeks
<b>Sales</b>	<b>\$7,751</b>	<b>\$7,643</b>
Same-store sales (%), excluding fuel	2.0%	3.1%
<b>Gross Profit</b>	<b>\$2,004</b>	<b>\$1,955</b>
Gross margin (%) <sup>(1)</sup>	25.8%	25.6%
<b>Selling and Administrative Costs</b>	<b>\$1,749</b>	<b>\$1,668</b>
Selling and Administrative Costs (%)	22.6%	21.8%
<b>Adjusted EBITDA</b>	<b>\$577</b>	<b>\$584</b>
Adjusted EBITDA margin (%)	7.4%	7.6%
<b>Adjusted Earnings per Share – diluted</b>	<b>\$0.71</b>	<b>\$0.73</b>
Free Cash Flow	(\$62)	(\$127)
Capital Expenditures	\$135	\$255

(1) Gross margin rate, excluding fuel, improved by 5 basis points versus Q2 F23.

# Long-Term Financial Framework

In Q4 F23, Empire introduced its long-term financial framework:

**8% to 11%**

Long Term Average Adjusted EPS Growth

Driven by our intention to improve Sales, Gross Margin (ex. Fuel), and adjusted EBITDA margin

## Continued Focus on Stores

We intend to invest capital in our store network and plan to renovate approximately 20% to 25% of the network over the next three years. Discount store expansion and Own Brands enhancement will also remain key focus areas.

## Enhanced Focus on Digital and Data

Our focus on digital and data will include continued e-commerce expansion with Voilà, loyalty through Scene+, personalization, improved space productivity and the continued improvement of promotional optimization.

## Efficiency and Cost Optimization

We will continue to focus on driving efficiency and cost effectiveness through initiatives related to sourcing of goods not for resale, supply chain productivity, and the organizational structure.

+

Continued Share Repurchases

# Continued Focus on Stores

## Renovations



20%–25% of network over 3 years

- Sales and margin uplift
- Enhanced store productivity
- Store department optimization

## Space Productivity



Improve store layouts, optimize category/product adjacencies, tailor assortment

BETTER DATA  
STORE FOCUSED SALES/SQ.FT.  
**Customer-Centric**  
SHELF PRODUCTIVITY ENABLER  
Better Planograms

## Discount Expansion



Continue to pursue expansion by market

West:

- 46 new FreshCo stores since F18
- One additional store planned for F24
- Continued focus on store conversions

Ontario:

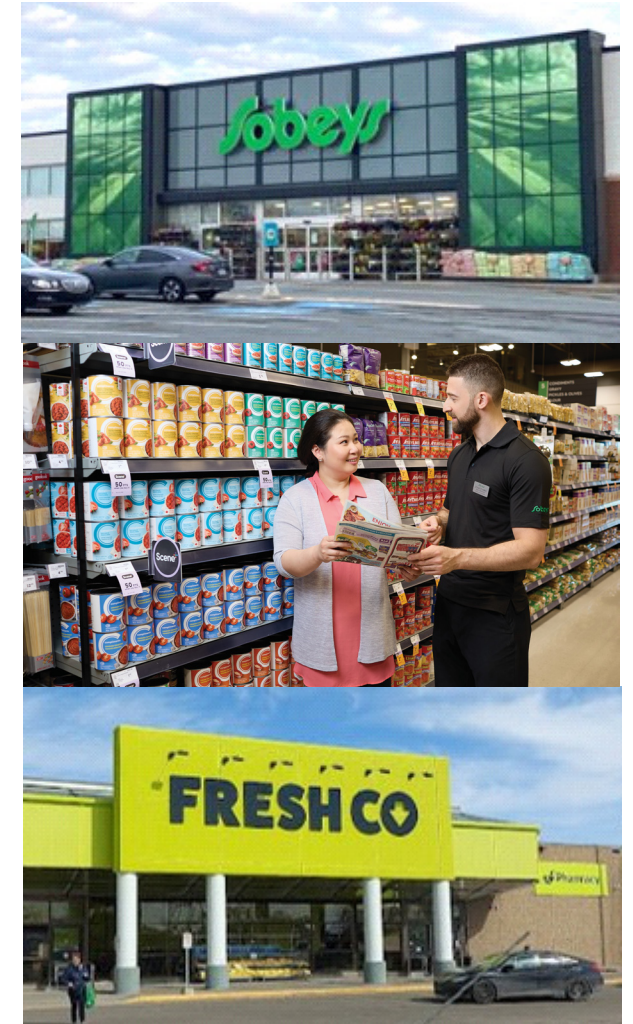
- Opened 100th FreshCo in Q2 F24
- Additional opportunities in Canada's largest province

## Own Brands



1,000+ new private label SKUs since F20

- Own Brands sales growth of +19.4% since F20
- ~600 new SKUs over the next three years



# Enhanced Focus on Digital and Data



Launched and rolled out Scene+, a differentiated national loyalty platform — driving incremental sales and earnings in year one



Co-owner



Personalization at Scale



Drive Incrementality



Data Ownership to Drive Insights



Differentiated Experience



Connected Banners to Drive Omni-Channel Strategy



New Customer Acquisitions



Enhanced Customer Loyalty



**14M**

Scene+ has over 14 million members

**~4M**

Approximately 4 million new members have joined since Scene+ launched at Empire

**40%+**

40%+ more active loyalty members versus last year

**#2**

Scene+ is the second largest loyalty program in Canada

# Enhanced Focus on Digital and Data

## voilà

### Key Areas of Focus



**Superior In-Stock Position**  
Extremely low substitution rate,  
Differentiated Freshness



**Best-in-Class Delivery Experience**  
White glove delivery



**Substantial Assortment**  
39K SKUs at mature CFCs



**Ongoing Innovation**  
[Ocado Re:Imagined](#)



**Loyalty & Personalization**  
Increased engagement



**Omni-Channel Focus**  
Omni AOV<sup>(1)(2)</sup> is ~1.5x Voilà AOV  
Voilà AOV is ~3.5x in-store AOV



Target:  
**95%**

Weekly on-time delivery score

ABOVE TARGET



Target:  
**98%**

Fulfillment rate

ABOVE TARGET



Target:  
**70 NPS**

Net Promoter Score (NPS) –  
industry best-in-class

ABOVE TARGET



(1) AOV is average order value.

(2) Omni AOV refers to customers who shop both through Voilà and in-store.



# Efficiency and Cost Optimization

## Strategic Sourcing



Drive efficiency and cost effectiveness through various initiatives (non-exhaustive):

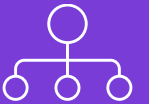
- Labour and transport
- Goods not for resale
- Store services and maintenance
- Marketing
- Information technology

## Supply Chain



- Drive supply chain productivity and cost effectiveness
- Focus on processes/technology to improve cost to serve and improve resiliency
- Continue to expand automation capabilities
- Enabler for outstanding store service, profitability and sustainable growth

## Organization









- **Turnaround Era (F18 - F23):** Transitioned from a regional to national organizational structure
- **Next Chapter:** Pursuing strategies to optimize our organization and improve efficiencies

# ESG<sup>1</sup> Goals: Steady and tangible progress

## Planet



We're reducing our impacts and taking action on climate change to do OurPart™ to protect our planet for future generations.

<p>CLIMATE ACTION</p> <p>Near-term Scope 1 and 2 targets validated by Science Based Targets initiative (SBTi): Committed to reducing absolute Scope 1 and Scope 2 GHG emissions by a minimum of 55% by 2030 from a 2019 base year</p> 	<p>CLIMATE ACTION</p> <p><b>15%</b></p> <p>reduction in Scope 1 and 2 compared to 2019 baseline – on track to achieve near-term targets</p>	<p>CLIMATE ACTION</p> <p><b>75%</b></p> <p>of suppliers by spend engaged on <u>CDP Supply Chain program</u></p>	<p>CLIMATE ACTION</p> <p>Conducted first climate scenario risk assessment on operational footprint and published inaugural Task force on Climate-Related Financial Disclosures TCFD-aligned report</p> <p>FOOD WASTE</p> <p>Close to 15M pounds of surplus food donated, gaining recognition from Second Harvest as Canada's top food-rescue partner for 2022</p>
<p>ETHICAL &amp; SUSTAINABLE SOURCING</p> <p>Seafood Metrics program launched, improving traceability</p> 	<p>ETHICAL &amp; SUSTAINABLE SOURCING</p> <p><b>77%</b></p> <p>of palm oil in products certified sustainable</p> 	<p>SUPPLIER PARTNERSHIPS</p> <p><b>390+</b></p> <p>women entrepreneurs supported in fiscal 2023</p> 	
<p>DIVERSITY, EQUITY &amp; INCLUSION</p> <p><b>90%</b></p> <p>of Directors and above set DE&amp;I performance and accountability goals</p> 	<p>DIVERSITY, EQUITY &amp; INCLUSION</p> <p>Achieved Phase 1 Progressive Aboriginal Relations certification from the Canadian Council for Aboriginal Business</p>	<p>DIVERSITY, EQUITY &amp; INCLUSION</p> <p>78% leaders in offices, corporate stores, and distribution centres completed Speak Freely training</p>	<p>COMMUNITY INVESTMENT</p> <p><b>~19M</b></p> <p>donated to support healthy bodies and minds in our communities (~\$7M in corporate donations and ~\$12M raised)</p> 

## Products



We're doing OurPart™ by delivering sustainable and ethical product choices for our customers.

## People



We're focused on growing and empowering a diverse, equitable and inclusive workforce to enable our customers and communities to thrive.

We are proud to share our progress and some of our stories in our Sustainability Business Report at: [www.SobeysSBReport.ca](http://www.SobeysSBReport.ca)

(1) ESG is Environmental, Social and Governance

# Executive Leadership Team



**Pierre St-Laurent**  
Chief Operating Officer



**Matt Reindel**  
Chief Financial Officer



**Sandra Sanderson**  
Chief Marketing Officer



**Doug Nathanson**  
EVP, Chief Development  
Officer & General Counsel



**Julia Knox**  
Chief Technology and  
Analytics Officer



**Simon Gagné**  
Chief Human  
Resources Officer