Q4 F24 Earnings

June 20, 2024

empire COMPANY LIMITED

Disclaimers

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 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 aim to increase total adjusted earnings per share 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 2024 annual MD&A;
- The Company's plan to invest $700 million capital in its network in fiscal 2025, including store expansions and renovations and renovate approximately 20% to 25% of the network between fiscal 2024 and fiscal 2026 which could be impacted by cost of materials, availability of contractors, operating results, and other macro-economic impacts;
- The Company's expectation that the Scene+ program will accelerate engagement by focusing on scaling personalization, which may be impacted by customer response, Scene+ app usage and the pace at which personalized offers are rolled out;
- The Company's expectation that it will meet targeted growth of FreshCo, which may be impacted by customer response, availability of contractors, operating results, and other macro-economic impacts;
- The Company's expectations regarding the amount and timing of expenses relating to the completion of the future Customer Fulfilment Centre, which may be impacted by supply of materials and equipment, construction schedules and capacity of construction contractors;
- The Company's expectation that it will continue its e-commerce expansion with Voilà, and that actions are expected to have a significant, positive impact on Voilà's profitability in fiscal 2025 and 2026, which may be impacted by future operating and capital costs, customer response and the performance of its technology provider, Ocado;
- The Company's plans to further grow and enhance the Own Brands portfolio, which may be impacted by future operating costs and customer response;
- The Company's expectation that Other income plus Share of earnings from investments, at equity will in aggregate, will be in the range of $135 million to $155 million in fiscal 2025, which assumes completion of pending real estate transactions by the Company and Share of Earnings from Investments, at Equity being consistent with historical values adjusted for significant transactions and may be impacted by the timing and terms of completion of real estate-related transactions and actual results from Crombie REIT and Real estate partnerships;
- 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 macroeconomic impacts; and
- The Company's expectation of the impacts of cost inflationary pressures, which may be impacted by supplier relationships and negotiations and the macroeconomic environment.

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 fourth quarter ended May 4, 2024.

Highlights: Q4-F24

Q4 F2024 Highlights

- **EPS and adjusted EPS of $0.61 and $0.63 respectively.** Adjustments include:
  - Restructuring: $15.5 million, net of taxes
  - Cybersecurity insurance recoveries: $10.4 million, net of taxes
- Prior year EPS and adjusted EPS of $0.72 (including contribution from a gain on the sale of a property in Q4 F23).
- When excluding other income and share of earnings from investments (largely real estate-related income), **results were consistent with Q3 F24 and Q4 F23**. For more information on historical real-estate related income, please see Appendix 1.
- **Same-store sales, excluding fuel, increased by 0.2%** (versus to 2.6% in Q4 F23).
- **Gross margin, excluding fuel, increased by 68 bps**, reflecting solid execution across a multitude of areas, including: space productivity, shrink (particularly in fresh), efficiency initiatives in supply chain and business unit mix.
- Continued to manage SG&A spend – while SG&A dollar grew y/y (business expansion, higher retail labour costs), cost reduction initiatives are starting to be reflected in results. SG&A excluding adjustments[(1)] grew by 2.5% y/y, below 4.1% growth in Q3; the associated SG&A rate grew by 55 bps y/y, below 90 bps in Q3.
- Repurchased $400 million in shares in fiscal 2024, up 14% versus fiscal 2023.
- Demonstrated capital discipline with fiscal 2024 CapEx of ~$720 million, below guidance of $775 million (excl. land purchase in Montreal).

Outlook / Business Updates

- The Company continues to be well positioned to pursue long-term growth despite the impacts of economic uncertainties.
- In Q4 F24, Voilà had strong sales growth of +23.5% and SSS of +17.3%. These are Voilà's best results to date. Management remains committed to Voilà and is confident in its future success. In addition, the Company took proactive actions to accelerate the path to profitability with Voilà, including:
  - Pausing the opening of CFC 4, ending mutual exclusivity with Ocado (earlier than planned) and working with Ocado to increase flexibility/decrease costs.
  - Focussing on 3 active CFCs until e-commerce penetration increases before revisiting timing for opening CFC 4.
- Annual dividend increased by 9.6%
- Intention to repurchase ~$400 million of shares in fiscal 2025.
- For fiscal 2025, capital spend is expected to be approximately $700 million, with approximately half of this investment allocated to renovations and new store expansion.
  - The Company is on track with its plan to renovate approximately 20% to 25% of the network between fiscal 2024 and fiscal 2026.
- For fiscal 2025, the Company expects aggregate pre-tax earnings from Other income plus Share of earnings from investments, at equity (both found in the Company's Consolidated Statements of Earnings), to be in the range of $135 million to $155 million.

(1) Adjustments include: Restructuring costs, the Cybersecurity Event recoveries and Grocery Gateway integration costs.

Financial Summary: Q4-F24

Q4 F2024

($ million, unless otherwise noted)	Q4 F24 13 weeks	Q4 F23 13 weeks	Fiscal 24 52 weeks	Fiscal 23 52 weeks
Sales	**$7,412**	**$7,408**	**$30,733**	**$30,478**
Same-store sales (%), excluding fuel	0.2%	2.6%	2.0%	1.5%
Gross Profit	**$2,005**	**$1,959**	**$8,070**	**$7,793**
Gross margin (%)(1)	27.1%	26.4%	26.3%	25.6%
Selling and Administrative Costs	**$1,740**	**$1,695**	**$6,991**	**$6,709**
Selling and Administrative Costs (%)	23.5%	22.9%	22.7%	22.0%
Adjusted EBITDA(2)	**$563**	**$599**	**$2,328**	**$2,322**
Adjusted EBITDA margin (%)	7.6%	8.1%	7.6%	7.6%
Adjusted Earnings per Share – diluted(2)	**$0.63**	**$0.72**	**$2.74**	**$2.80**
Free Cash Flow	$104	$209	**$731**	**$192**
Capital Expenditures(3)	**$417**	**$243**	**$831**	**$797**

(1) Gross margin rate, excluding fuel, improved by 68 basis points versus Q4 F23 and 43 basis points versus F23.
(2) Adjusted Metrics exclude: gains associated with the Western Canada fuel sale, expenses and recoveries related to a cybersecurity event, one-time costs associated with the integration of Grocery Gateway into Voilà, and costs incurred to plan and implement strategies to optimize the organization and improve efficiencies.
(3) Capital expenditures in Q4 F24 and F24 includes approximately $110 million associated with the land purchase in Montreal.

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 we are on track with our plan to renovate approximately 20% to 25% of the store network between F24 and F26. 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 growth with Voilà, personalization, 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. In addition, the Company is pursuing cost savings in the Voilà business by pausing the opening of its fourth CFC and ending its mutual exclusivity with Ocado.

+

Continued Share Repurchases

Continued Focus on Stores

Renovations

20%–25% of network over between F24 and F26

- 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:
- 48 new FreshCo stores since F18
- Continued focus on store conversions

Ontario:
- ~100 FreshCo locations
- Additional opportunities in Canada's largest province

Own Brands

1,000+ new private label SKUs since F20

- Own Brands sales growth in excess of 25%(1) since F20
- ~600 new SKUs planned from F24 to F26

(1) Sales growth from F2020 to F2024.

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

>15M	Scene+ has over 15 million members
~5M	Approximately 5 million new members have joined since Scene+ launched at Empire
>2,000	There are over 2,000 Scene+ card swipes every minute
#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[(1)(2)] is ~1.5x Voilà AOV
Voilà AOV is ~3.5x in-store AOV

Target:	
95%	Weekly on-time delivery score ABOVE TARGET
98%	Fulfillment rate ABOVE 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 improve efficiencies and continue to optimize the organization

ESG[1] 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.

CLIMATE ACTION

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

CLIMATE ACTION

15%

reduction in Scope 1 and 2 compared to 2019 baseline – on track to achieve near-term targets

CLIMATE ACTION

75%

of suppliers by spend engaged on CDP Supply Chain program

CLIMATE ACTION

Conducted first climate scenario risk assessment on operational footprint and published inaugural Task force on Climate-Related Financial Disclosures TCFD-aligned report

FOOD WASTE

Close to 15M pounds of surplus food donated, gaining recognition from Second Harvest as Canada's top food-rescue partner for 2022

Products

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

ETHICAL & SUSTAINABLE SOURCING

Seafood Metrics program launched, improving traceability

ETHICAL & SUSTAINABLE SOURCING

77%

of palm oil in products certified sustainable

SUPPLIER PARTNERSHIPS

390+

women entrepreneurs supported in fiscal 2023

People

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

DIVERSITY, EQUITY & INCLUSION

90%

of Directors and above set DE&I performance and accountability goals

DIVERSITY, EQUITY & INCLUSION

Achieved Phase 1 Progressive Aboriginal Relations certification from the Canadian Council for Aboriginal Business

DIVERSITY, EQUITY & INCLUSION

78% leaders in offices, corporate stores, and distribution centres completed Speak Freely training

COMMUNITY INVESTMENT

~19M

donated to support healthy bodies and minds in our communities (~$7M in corporate donations and ~$12M raised)

We are proud to share our progress and some of our stories in our Sustainability Business Report at: www.SobeysSBReport.ca

(1) ESG is Environmental, Social and Governance

Executive Leadership Team

Michael Medline
President & Chief Executive Officer

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

Executive Leadership Team - Link to Biographies

Appendix 1: Other Income and Share of Earnings from Equity Investments – Historical

Other Income and Share of Earnings from Equity Investments (combined, as a percentage of adjusted EBITDA) varies by quarter, but on an annual basis, is <u>**consistently in the mid-single-digit range**</u>.

	Q1/F20	Q2/F20	Q3/F20	Q4/F20	F2020	Q1/F21	Q2/F21	Q3/F21	Q4/F21	F2021	Q1/F22	Q2/F22	Q3/F22	Q4/F22	F2022
Net gain on lease modifications and terminations	-	-	-	-	-	-	-	-	-	-	11.6	0.6	11.2	23.6	47.0
Adjusted net gain on disposal of assets	10.4	7.3	12.1	21.9	51.7	31.4	3.0	1.0	1.7	37.1	2.2	1.2	16.0	3.7	23.1
Lease income from owned property	4.2	4.1	4.4	4.8	17.5	2.9	6.1	3.5	3.4	15.9	5.2	7.4	5.6 -	1.5	16.7
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	**14.6**	**11.4**	**16.5**	**26.7**	**69.2**	**34.3**	**9.1**	**4.5**	**5.1**	**53.0**	**19.0**	**9.2**	**32.8**	**25.8**	**86.8**
% of Adjusted EBITDA	*3.2%*	*2.4%*	*3.9%*	*5.1%*	***3.7%***	*5.9%*	*1.8%*	*0.8%*	*1.0%*	***2.5%***	*3.3%*	*1.6%*	*5.5%*	*4.4%*	***3.7%***
Share of Earnings from Equity Investments	**14.8**	**30.8**	**17.9**	**8.3**	**71.8**	**6.8**	**8.9**	**20.2**	**15.5**	**51.4**	**13.3**	**22.1**	**43.0**	**14.7**	**93.1**
% of Adjusted EBITDA	*3.2%*	*6.4%*	*4.2%*	*1.6%*	***3.8%***	*1.2%*	*1.7%*	*3.8%*	*3.0%*	***2.4%***	*2.3%*	*3.9%*	*7.2%*	*2.5%*	***4.0%***
Total	**29.4**	**42.2**	**34.4**	**35.0**	**141.0**	**41.1**	**18.0**	**24.7**	**20.6**	**104.4**	**32.3**	**31.3**	**75.8**	**40.5**	**179.9**
% of Adjusted EBITDA	*6.4%*	*8.8%*	*8.1%*	*6.6%*	***7.5%***	*7.1%*	*3.5%*	*4.6%*	*4.0%*	***4.9%***	*5.6%*	*5.5%*	*12.7%*	*6.9%*	***7.7%***
Adjusted EBITDA	460.0	477.7	426.9	527.8	**1,892.4**	582.5	513.4	533.5	514.4	**2,143.8**	581.9	565.2	597.5	586.2	**2,330.8**

	Q1/F23	Q2/F23	Q3/F23	Q4/F23	F2023	Q1/F24	Q2/F24	Q3/F24	Q4/F24	F2024
Net gain on lease modifications and terminations	-	-	-	-	-	-	39.0	0.4	0.2	39.6
Adjusted net gain on disposal of assets[1]	0.5	4.2	4.5	35.5	44.7	1.9	0.7	4.3	10.3	17.2
Lease income from owned property	3.8	4.0	3.9	4.4	16.1	4.0	4.1	4.6	3.0	15.7
Other	-	-	-	-	-	16.5	0.1	- -	0.1	16.5
Other Income	**4.3**	**8.2**	**8.4**	**39.9**	**60.8**	**22.4**	**43.9**	**9.3**	**13.4**	**89.0**
% of Adjusted EBITDA	*0.7%*	*1.4%*	*1.5%*	*6.7%*	***2.6%***	*3.5%*	*7.6%*	*1.7%*	*2.4%*	***3.8%***
Share of Earnings from Equity Investments	**13.4**	**38.9**	**18.2**	**17.2**	**87.7**	**9.7**	**14.2**	**14.6**	**12.6**	**51.1**
% of Adjusted EBITDA	*2.3%*	*6.7%*	*3.3%*	*2.9%*	***3.8%***	*1.5%*	*2.5%*	*2.7%*	*2.2%*	***2.2%***
Total	**17.7**	**47.1**	**26.6**	**57.1**	**148.5**	**32.1**	**58.1**	**23.9**	**26.0**	**140.1**
% of Adjusted EBITDA	*3.0%*	*8.1%*	*4.9%*	*9.5%*	***6.4%***	*5.0%*	*10.1%*	*4.4%*	*4.6%*	***6.0%***

Note 1: In Q1 F24 above, the adjusted net gain on disposal of assets excludes the impact of the Western Canada Fuel sale to align with the calculation of Adjusted EBITDA. There are no adjustments presented for any other periods.