

Q3 F24 Earnings

March 14, 2024

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 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;
- 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.
- The Company's expectations regarding the impact of the Cybersecurity Event, and the estimate of the impact on its financial results in fiscal 2024. These statements and expectations may be impacted by several factors including the nature, amount and timing of the insurance outcome;
- The Company's expectations related to the timing and amount of expenses relating to voluntary buyouts, which may be impacted by employee participation and labour relations; and
- The Company's expectation that the transaction to purchase a parcel of land will close in the fourth quarter of fiscal 2024, which may be impacted by due diligence procedures.

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 third quarter ended February 3, 2024.

Highlights: Q3-F24

Q3 F2024 Highlights

- **Same-store sales, excluding fuel, increased by 1.9%.** The SSS gap between Full Service and Discount has narrowed.
- **EPS and adjusted EPS of \$0.54 and \$0.62 respectively.** Adjustments include:
 - Restructuring: \$18.8 million, net of taxes
 - Cybersecurity Event: \$0.1 million, net of taxes
- Prior year EPS and adjusted EPS were \$0.49 and \$0.64 respectively.
- When excluding real estate-related income (other income and share of earnings from investments), results were consistent with Q2 F24 and Q3 F23. Please see [Appendix 1 for historical data on real estate-related income](#).
- **Gross margin, excluding fuel, increased by 87 bps, partially due to the impact of the Cybersecurity Event in the prior year**
- SG&A spending was on track; the SG&A rate increased by ~90 bps as SG&A growth outpaced sales growth.
 - After excluding one-time items, SG&A dollars were slightly lower vs. Q2, reflecting benefits from the restructuring initiative and non-merch procurement.
- Strong free cash flow generation of \$349 million (best since Fiscal 2022)
- As at March 12, 2024, Company has purchased 9,464,668 Class A shares in fiscal 2024 for total consideration of ~\$340 million.
- Voilà sales increased by 16.0%. According to third-party market data, Voilà's national market share within the e-commerce channel continues to be higher versus the same quarter in the prior year.

Outlook / Business Updates

- The Company continues to be well positioned to pursue long-term growth despite the impacts of global economic uncertainties.
- Internal food inflation continued to be slightly below the reported Consumer Price Index for food purchased from stores of 4.2% (2023 – 11.3%).
- In Q3, the Company continued to comply with the federal government's request to identify ways to help further stabilize prices for consumers.
- The Company entered into an agreement to purchase a parcel of land for approximately \$110 million, subject to the Company completing due diligence procedures. The land is being acquired for a potential future development
 - If successful, the transaction will increase the expected F24 capital spend from \$775 million to \$885 million.
- As at March 13, 2024, FreshCo has 47 stores operating in Western Canada, which completes the openings planned for fiscal 2024.
- As at March 14, 2024, Farm Boy has 48 stores operating in Ontario, with the newest store in Oshawa opening today.
- The Company acquired the remaining 12% non-controlling interest in Farm Boy for \$77.1 million. Farm Boy's key management team will remain unchanged following this transaction.

Financial Summary: Q3-F24

Q3 F2024				
(\$ million, unless otherwise noted)	Q3 F24 13 weeks	Q3 F23 13 weeks	YTD F24 39 weeks	YTD F23 39 weeks
Sales	\$7,494	\$7,489	\$23,321	\$23,070
Same-store sales (%), excluding fuel	1.9%	0.1%	2.6%	1.1%
Gross Profit	\$1,987	\$1,901	\$6,065	\$5,834
Gross margin (%) ⁽¹⁾	26.5%	25.4%	26.0%	25.3%
Selling and Administrative Costs	\$1,761	\$1,694	\$5,251	\$5,014
Selling and Administrative Costs (%)	23.5%	22.6%	22.5%	21.7%
Adjusted EBITDA⁽²⁾	\$547	\$545	\$1,765	\$1,723
Adjusted EBITDA margin (%)	7.3%	7.3%	7.6%	7.5%
Adjusted Earnings per Share – diluted⁽²⁾	\$0.62	\$0.64	\$2.11	\$2.08
Free Cash Flow	\$349	\$78	\$627	(\$18)
Capital Expenditures	\$156	\$143	\$415	\$554

(1) Gross margin rate, excluding fuel, improved by 87 basis points versus Q3 F23.

(2) Adjusted Metrics exclude restructuring costs and one-time items related to the Cybersecurity Event.

Supplementary Segment Details: Q3-F24

(in millions of Canadian dollars)	13 Weeks Ended					
	February 3, 2024			February 4, 2023		
	Food retailing	Investments and other operations	Total	Food retailing	Investments and other operations	Total
Gross profit	1,987.3	-	1,987.3	1,900.6	-	1,900.6
Add: Other income + Share of earnings from investments, at equity						
Other income	9.4	(0.1)	9.3	4.4	4.0	8.4
Share of earnings from investments, at equity	-	14.6	14.6	-	18.2	18.2
Total	9.4	14.5	23.9	4.4	22.2	26.6
Less: Selling and administrative expenses	1,763.0	(2.4)	1,760.6	1,692.7	1.7	1,694.4
Adjustments:						
Cybersecurity Event	0.1	-	0.1	52.6	-	52.6
Restructuring	25.2	-	25.2	-	-	-
Adjusted operating income	259.0	16.9	275.9	264.9	20.5	285.4

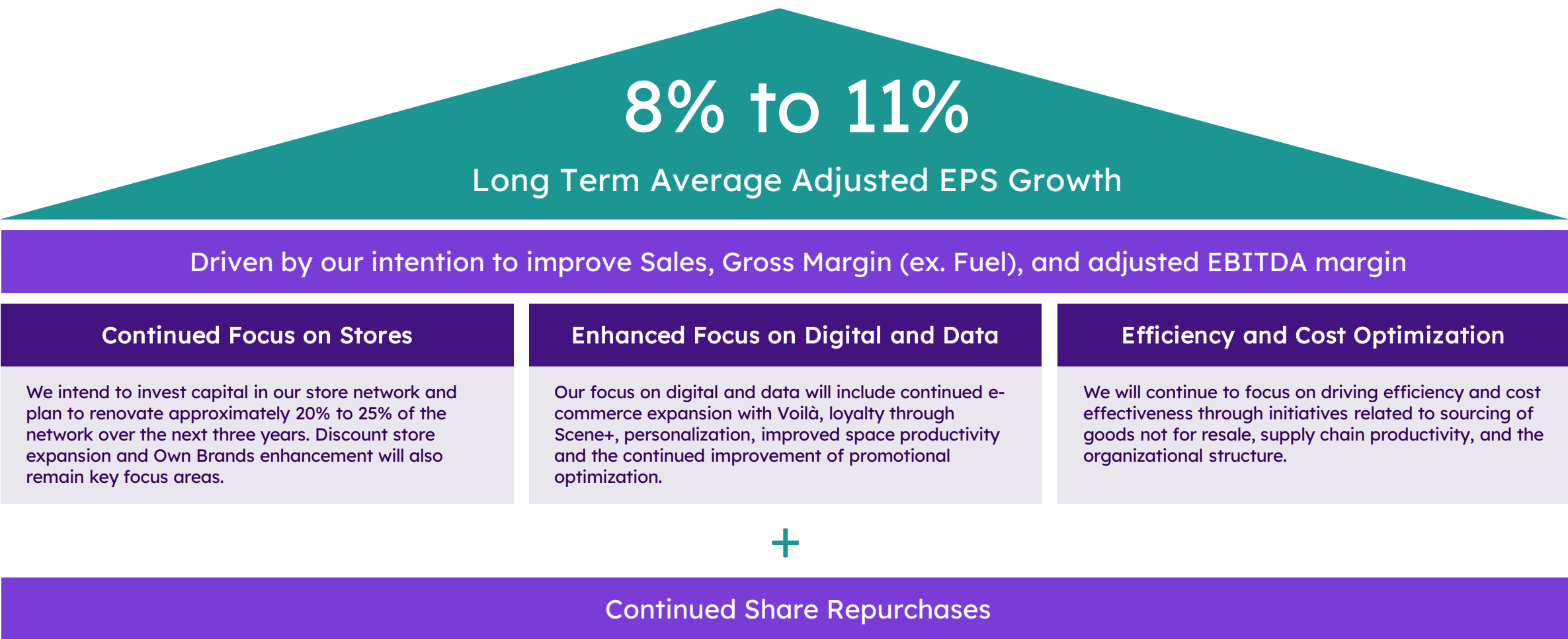
(in millions of Canadian dollars)	39 Weeks Ended					
	February 3, 2024			February 4, 2023		
	Food retailing	Investments and other operations	Total	Food retailing	Investments and other operations	Total
Gross profit	6,065.3	-	6,065.3	5,833.7	-	5,833.7
Add: Other income + Share of earnings from investments, at equity						
Other income	166.3	0.1	166.4	15.4	5.5	20.9
Adjustment: Western Canada Fuel Sale	(90.8)	-	(90.8)	-	-	-
Share of earnings from investments, at equity	-	38.5	38.5	-	70.5	70.5
Total	75.5	38.6	114.1	15.4	76.0	91.4
Less: Selling and administrative expenses	5,247.2	3.5	5,250.7	5,013.5	0.8	5,014.3
Adjustments:						
Cybersecurity Event	(21.0)	-	(21.0)	52.6	-	52.6
Restructuring	51.7	-	51.7	-	-	-
Adjusted operating income	924.3	35.1	959.4	888.2	75.2	963.4

Additional Comments:

- Other income attributable to the Food retailing segment (**denoted in green**) can be found in Sobeys' financial statements found on [SEDAR+](#).
- Select financial data (**denoted in blue**) can be found in [Empire's quarterly filings](#), including:
 - Gross profit
 - Other income
 - Share of earnings from investments
 - Selling and administrative expenses
 - Food retailing adjusted operating income
 - Adjustments

Long-Term Financial Framework

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



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:

- 47 new FreshCo stores since F18
- Continued focus on store conversions

Ontario:

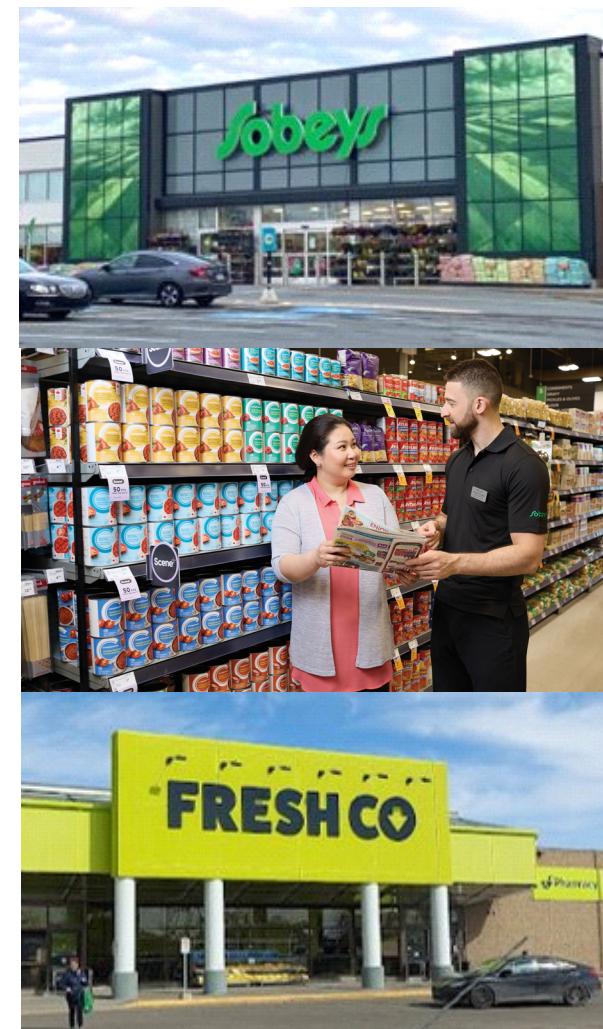
- Opened 100th FreshCo in Q2 F24
- Additional opportunities in Canada's largest province

Own Brands



1,000+ new private label SKUs since F20

- Own Brands sales growth of +19.4%⁽¹⁾ since F20
- ~600 new SKUs over the next three years



(1) Sales growth from F2020 to F2023.

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



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

↑

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):

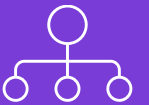
- Labour and transport
- Goods not for resale
- Store services and maintenance
- Marketing
- Information technology

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

ESG¹ 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 <u>CDP Supply Chain program</u>	CLIMATE ACTION Conducted first climate scenario risk assessment on operational footprint and published inaugural Task force on Climate-Related Financial Disclosures TCFD-aligned report
	ETHICAL & SUSTAINABLE SOURCING Seafood Metrics program launched, improving traceability	ETHICAL & SUSTAINABLE SOURCING 77% of palm oil in products certified sustainable	FOOD WASTE Close to 15M pounds of surplus food donated, gaining recognition from Second Harvest as Canada's top food-rescue partner for 2022
	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	SUPPLIER PARTNERSHIPS 390+ women entrepreneurs supported in fiscal 2023
			COMMUNITY INVESTMENT ~19M donated to support healthy bodies and minds in our communities (~\$7M in corporate donations and ~\$12M raised)

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

(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

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 consistently in the mid-single-digit range.

	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
<i>% of Adjusted EBITDA</i>	<i>3.2%</i>	<i>2.4%</i>	<i>3.9%</i>	<i>5.1%</i>	<i>3.7%</i>	<i>5.9%</i>	<i>1.8%</i>	<i>0.8%</i>	<i>1.0%</i>	<i>2.5%</i>	<i>3.3%</i>	<i>1.6%</i>	<i>5.5%</i>	<i>4.4%</i>	<i>3.7%</i>
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
<i>% of Adjusted EBITDA</i>	<i>3.2%</i>	<i>6.4%</i>	<i>4.2%</i>	<i>1.6%</i>	<i>3.8%</i>	<i>1.2%</i>	<i>1.7%</i>	<i>3.8%</i>	<i>3.0%</i>	<i>2.4%</i>	<i>2.3%</i>	<i>3.9%</i>	<i>7.2%</i>	<i>2.5%</i>	<i>4.0%</i>
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
<i>% of Adjusted EBITDA</i>	<i>6.4%</i>	<i>8.8%</i>	<i>8.1%</i>	<i>6.6%</i>	<i>7.5%</i>	<i>7.1%</i>	<i>3.5%</i>	<i>4.6%</i>	<i>4.0%</i>	<i>4.9%</i>	<i>5.6%</i>	<i>5.5%</i>	<i>12.7%</i>	<i>6.9%</i>	<i>7.7%</i>
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							
Net gain on lease modifications and terminations	-	-	-	-	-	-	39.0	0.4							
Adjusted net gain on disposal of assets ¹	0.5	4.2	4.5	35.5	44.7	1.9	0.7	4.3							
Lease income from owned property	3.8	4.0	3.9	4.4	16.1	4.0	4.1	4.6							
Other	-	-	-	-	-	16.5	0.1	-							
Other Income	4.3	8.2	8.4	39.9	60.8	22.4	43.9	9.3							
<i>% of Adjusted EBITDA</i>	<i>0.7%</i>	<i>1.4%</i>	<i>1.5%</i>	<i>6.7%</i>	<i>2.6%</i>	<i>3.5%</i>	<i>7.6%</i>	<i>1.7%</i>							
Share of Earnings from Equity Investments	13.4	38.9	18.2	17.2	87.7	9.7	14.2	14.6							
<i>% of Adjusted EBITDA</i>	<i>2.3%</i>	<i>6.7%</i>	<i>3.3%</i>	<i>2.9%</i>	<i>3.8%</i>	<i>1.5%</i>	<i>2.5%</i>	<i>2.7%</i>							
Total	17.7	47.1	26.6	57.1	148.5	32.1	58.1	23.9							
<i>% of Adjusted EBITDA</i>	<i>3.0%</i>	<i>8.1%</i>	<i>4.9%</i>	<i>9.5%</i>	<i>6.4%</i>	<i>5.0%</i>	<i>10.1%</i>	<i>4.4%</i>							
Adjusted EBITDA	594.0	584.2	545.1	598.8	2,322.1	641.4	576.6	546.8							

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.