

FOR IMMEDIATE RELEASE
April 15, 2020

COVID-19 Crisis – Empire Company Update

Investing in the safety of teammates and customers, and supporting communities across Canada

Stellarton, NS – Empire Company Limited (“Empire” or the “Company”) today announced business updates related to the impact of the recent novel coronavirus (“COVID-19” or “pandemic”) outbreak.

“Management’s top priorities are ensuring the health and safety of our teammates and customers, keeping our shelves stocked, and supporting charitable organizations to immediately address urgent needs in communities across Canada,” said Michael Medline, President and CEO, Empire. “All of our grocery and pharmacy locations have adapted to ensure we can continue to operate as an essential service, providing Canadians with affordable food and other vital products during this terrible pandemic. A huge thank you to our teammates in our stores and distribution centres who are working so hard to serve our customers.”

Sales Impact

Same-store sales for the first weeks of the fourth quarter were strong, reflecting an improving trend that began in the latter half of the third quarter. However, starting on February 28, the Company reported significantly higher sales in all formats except fuel. Sales further accelerated from March 8 onward as customers began to stock up in preparation for possible stay-at-home requirements. By March 22, the sales intensity began to subside, although still significantly above prior year levels. Same-store sales growth for the four-week period starting March 8, excluding fuel and Easter, were approximately 37%.

Although initial demand was skewed towards shelf stable grocery items, sales mix has returned to more usual levels, across both grocery and fresh categories. However, Empire continues to see heightened demand for canned goods, baking supplies and cleaning and sanitization products. In these unprecedented times, it is too early to forecast sales in the medium term, but management anticipates a percentage of consumption will shift from restaurants and hospitality businesses to grocery stores for as long as stay-at-home restrictions remain in force. Same-store sales growth recorded by Empire, excluding fuel, in the two weeks before Easter averaged 24%.

As Canadians are encouraged to stay at home, Empire’s fuel business has been significantly impacted. Fuel sales have decreased approximately 40% since March 1 due to a combination of reduced litres sold due to travel restrictions and a sharp decline in fuel prices.

The Company’s supply chain has been resilient to date, as automated distribution centres have enabled high velocity restocking of stores. Empire’s supplier partners have responded to incremental demand by adding capacity, improving efficiency and finding innovative ways to deliver to stores; Empire thanks and appreciates all of its thousands of supplier partners who are finding ways to operate in these challenging times.

During these periods of high demand, Empire banners have been focused on ensuring that costs to consumers are held in check and that prices continue to be competitive. Empire will continue to be vigilant in its attempts to avoid passing on cost increases to customers.

Investments in Teammates, Stores and Communities

Throughout this period, Empire has moved with urgency to invest in increased safety and sanitization products and procedures to ensure customers and teammates can feel protected while shopping and working in its stores. Management is closely monitoring the impact of the pandemic on food retail around the world and continues to implement even more processes, learning from and implementing best practices.

“We are doing everything in our power to maintain our stores to the highest standard of cleanliness and safety, including investing in plexiglass shields and personal protective equipment, limiting the number of customers in our stores at one time, and placing floor markings and signage in our stores to promote physical distancing,” said Michael Medline. “We are grateful for our customers’ trust in us and humbled by the efforts our 123,000 teammates are making every day to support the needs of Canadians. Recognizing the significant demand on our frontline and distribution centre employees across the country, we also implemented our ‘Hero Pay’ program.”

Effective as of March 8, 2020, Empire introduced its Hero Pay program for frontline employees in stores and distribution centres, increasing all take home pay to reflect the heroic work of teammates serving Empire’s customers. Empire also created a Community Action Fund to support its local communities where and when they need it most, in addition to support to food banks, meal programs and other key charitable programs across the country. These investments, primarily Hero Pay, combined with additional safety and sanitization expenses, are estimated to increase selling and administrative expenses by up to an estimated \$80 to \$90 million in the fourth quarter of fiscal 2020, partly offsetting the positive effect of increased sales. This is in addition to volume driven increases in labour, distribution and other costs.

Liquidity and Capital Allocation

Empire’s balance sheet remains strong with significant free cash flow available. Empire has access to approximately \$825 million in unused bank facilities that do not expire until 2023. In addition, non-revolving credit facilities of approximately \$525 million expire at the end of calendar 2020, and the Company anticipates renewing these facilities before their expiry. The Company completed its initial normal course issuer bid (“NCIB”) target purchases of \$100 million in the third quarter and has no current intention to purchase further shares.

The Company’s fiscal 2020 capital plan included re-investment in its network of stores, the expansion of its discount business, development of new Farm Boy stores and construction of its world-class e-commerce facility in the Greater Toronto Area (“GTA”). Management had previously expected that capital expenditures in fiscal 2020 would be approximately \$600 million. However, due to the shutdown of non-essential construction in select provinces, several real estate projects were put on hold and as a result, Empire’s capital spend for fiscal 2020 is currently estimated to be approximately \$550 to \$575 million.

Impact on Empire’s Strategic Initiatives

In an effort to focus Empire’s resources where they are needed most in the short term – to service customers and keep teammates and customers safe – Empire is evaluating the impact of this pandemic on its immediate plans, such as store openings and store renovations. At this time, management anticipates that certain FreshCo and Farm Boy store openings may be delayed. In addition, stores that may have been closed in the near future, to accommodate commencement of construction and conversion to FreshCo stores, will stay open in the medium term. Management does not anticipate these delays will have a long-term effect on the execution of its strategy and will continue to monitor these decisions as the situation evolves.

In this time of uncertainty, Canadians are testing and embracing e-commerce for many of their needs, including grocery. Empire's e-commerce businesses in Quebec through IGA.net and in B.C. through Thrifty Foods have seen a significant increase in orders through this pandemic. Online grocery penetration is growing dramatically across the country, which management anticipates will likely remain elevated in the long-term as customers become more comfortable with online grocery delivery.

The customer launch of Voilà, Empire's game-changing online grocery home delivery service, has been accelerated to meet the increasing demand from customers for delivery. Voilà management anticipates beginning tests in areas of the GTA the week of April 26, 2020. Voilà's phased rollout to customers across the GTA will begin when testing is successfully completed. The automated warehouse is powered by Ocado's industry-leading grocery technology.

In light of the current environment and the focus that all Empire's teammates have in keeping stores filled and serving customers, management believes it is appropriate to postpone its previously planned announcement and related investor conference call, initially scheduled for May, to unveil its new three-year strategy. Key elements of the strategy are in progress, with several initiatives currently in flight. The announcement and related communications will be rescheduled for an appropriate time.

ADDITIONAL DETAILS OF TEAMMATE, CUSTOMER, STORE & COMMUNITY INVESTMENTS

For Teammates and Customers in Stores and Distribution Centres

The health and safety of customers and teammates is of the utmost importance to Empire, and the Company has put in place a number of preventative measures, including:

- Installed plexiglass cashier shields as a safeguard to protect teammates and customers.
- Provided personal protective equipment to teammates.
- Reduced store hours to allow more time for extra sanitization efforts and stocking shelves.
- Added extra resources to the frontline, enabling cashiers to wipe down common areas even more often.
- Introduced "Seniors Shopping Hour", in most markets, for the first hour of the day, providing those who are the most vulnerable with a dedicated time to shop for goods.
- Installed floor markers at check out and throughout the stores to help facilitate a two-metre distance between customers.
- Created one-way aisles to ensure compliance with physical distancing.
- Implemented customer capacity limits, limiting the number of customers in Empire's stores based on a calculation of Empire's square footage and the number of available open cashier lanes.
- Enforced that all teammates who feel sick stay home.

In addition, Empire has launched a temporary Hero Pay Program across its store banners and distribution centres. The program entails the following:

- Teammates will receive an additional \$50 a week, regardless of the number of hours worked.
- Teammates who work more than 20 hours a week receive an additional \$2 premium per hour for all hours over 20 hours, in addition to the \$50 payment mentioned above.

The increased demand in stores, coupled with increased absenteeism, has meant there has been an increase in demand for labour. Empire is providing further economic support to communities by hiring more than 8,000 teammates over the past six weeks. This includes temporary hires from partners in related industries (notably restaurants and hospitality) that have been negatively impacted by the pandemic.

For Communities

Empire, through its national store network, is doing everything it can to help local communities through a variety of ways including:

- A Community Action Fund, empowering more than 1,500 grocery and pharmacy stores coast-to-coast to donate to address their local communities' most urgent needs. The stores know their communities best and this program will result in millions of dollars being immediately deployed in local communities.
- Working directly with more than 20 food banks, provincial organizations and municipalities across the country to help feed Canadian families during this unprecedented time.
- Tailored support to local food banks and meal programs including financial support, donated gift cards, distribution of thousands of pre-packaged hampers and providing thousands of cases of pantry essentials.

The Empire family is responding to donation requests across the country and will continue to do everything possible to support local communities.

COMPANY UPDATES ON COVID-19

Empire operates its food retailing business through wholly-owned Sobeys Inc. To stay up-to-date on what the Company is doing in stores and communities in response to this pandemic, please visit www.corporate.sobeys.com/coronavirus.

NON-GAAP FINANCIAL MEASURES

There are measures and metrics included in this news release, such as same-store sales, that 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 Empire's MD&A for the third quarter ended February 1, 2020.

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:

- Expectations for sales and same-store sales, which may be impacted by the duration of the shutdown due to COVID-19, the severity of the pandemic on people's health across Canada, the ability for restaurants and hospitality businesses to re-open and resume operations, and the demand for restaurants and hospitality services when they resume and supply chain disruptions;
- The Company's anticipation that a high percentage of food consumption will shift from restaurants and hospitality businesses to grocery stores, which may be impacted by the duration of the shutdown due to COVID-19, the severity of the pandemic on people's health across Canada, the ability for restaurants and hospitality businesses to re-open and resume operations, and the demand for restaurants and hospitality services when they resume;

- The Company's ability to maintain a resilient supply chain which may be impacted by suppliers' ability to continue to keep their supply chains safe from the pandemic and operating at full capacity; and Empire's ability to ensure distribution centres and inventory stock are kept safe from the pandemic and operating at full capacity;
- The Company's ability to hold costs in check which may be impacted by foreign exchange fluctuations, commodity increases experienced by suppliers, and the financial health of suppliers and their ability to absorb additional costs;
- The Company's expectation that selling and administrative expenses could increase by up to an estimated \$80-90 million due to the additional investments and expenses required to respond to COVID-19, which may be impacted by the duration of the shutdown due to COVID-19, the severity of the pandemic on people's health across Canada, and the possibility of additional safety precautions required;
- The Company's expectation that it will renew its credit facilities before their expiry, which may be impacted by availability of debt in the market;
- The Company's expectation that it will delay store openings and store renovations in the short term which may impact future operating results. The duration of the delay may be impacted by the duration of the shutdown of construction in select provinces, the impact of COVID-19 on construction schedules and permits and the impact of COVID-19 on the workforce available during the crisis and once construction resumes;
- Capital expenditure expectations, specifically, 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, and the number, location, feasibility and timing of construction and conversions, staff increases and long-term effect on the execution of the Company's strategy, all of which may be impacted by the duration of the shutdown of construction in select provinces, the impact of COVID-19 on construction schedules and permits, the economic environment, health and safety of employees and labour relations;
- The Company's expectations regarding the implementation of its online grocery home delivery service which may be impacted by COVID-19, the success of the testing period, the timing of launching the business, the customer response to the service and the performance of its business partner, Ocado Group plc; and
- The Company's ability to increase staffing in their stores due to elevated demand which may be impacted by the availability of labour in the market, and the impact of COVID-19 on the workforce.

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 \$25.8 billion in annualized sales and \$14.0 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 123,000 people.

For further information, please contact:

Media Contact

Jacquelin Weatherbee
Vice President,
Communications & Corporate Affairs
Sobeys Inc.
(416) 200-0372

Investor Contact

Katie Brine, CPA, CA, CBV, CPIR
Director Finance, Investor Relations
Sobeys Inc.
(905) 238-7124 ext. 2092