Leading with Fresh, Accelerating with Digital

2021 Investor Day

FRESH FOR EVERYONE™

Kroger®



Agenda

1 **Kroger's Growth Strategy**
Rodney McMullen | Chairman & Chief Executive Officer

2 **Accelerating Digital Growth & Profitability**
Yael Cosset | Chief Information Officer

Network Fulfillment Strategy Supports Growth
Gabriel Arreaga | Senior Vice President, Supply Chain

Media: A Key Driver of Digital Profitability
Cara Pratt | Vice President, Kroger Precision Marketing

3 **Growing with Food, Leading with Fresh**
Stuart Aitken | Chief Marketing & Merchandising Officer

Fresh for Everyone
Amanda Rassi | Vice President, Marketing

Elevating the Customer Experience
Mary Ellen Adcock | Senior Vice President, Operations

4 **Delivering Strong & Sustainable TSR**
Gary Millerchip | Chief Financial Officer

5 **Q&A Panel**

6 **Closing Comments**
Rodney McMullen | Chairman & Chief Executive Officer

Safe Harbor

This presentation includes forward-looking non-GAAP financial measures, which management believes to be useful to investors and analysts. Kroger is unable to provide a full reconciliation of the non-GAAP measures used in our guidance, including, but not limited to, adjusted FIFO operating profit to operating profit, and adjusted free cash flow, without unreasonable effort because it is not possible to predict with a reasonable degree of certainty the information necessary to calculate such measures on a GAAP basis. It is not possible to estimate with a reasonable degree of certainty certain of our adjustment items because such information is dependent on future events that may be outside of our control. The unavailable information could have a significant impact on our GAAP financial results.



Kroger's Growth Strategy

Rodney McMullen | Chairman & Chief Executive Officer



Key Themes

Winning Market Share with Fresh Food Leadership

Significant Growth Opportunity in Digital & Clear Path to Profitability

Strategic Moats Position Us to Compete and Win in a Post-COVID World



How We Got Here

2017-2020

Restock Kroger

- Eliminated $3B in costs; invested in people, technology and price
- Strengthened competitive moats: Fresh, *Our Brands*, Personalization & Seamless
- Established alternative profit flywheel
- Talent investments & development
- Zero Hunger | Zero Waste

2020

COVID Learnings & Trends

- Safety of associates and customers first
- Customer demand for seamless shopping experience
- Enhanced agility and speed-to-market
- Invested $2.5B to safeguard and support associates and customers and better secure pensions
- Innovative meal solutions for food at home

2021+

Kroger Today

- Leader in food
- Digital sales of $10B+
- Stronger customer & associate relationships
- Stronger competitive moats
- Track record of innovation
- Excess cash to invest

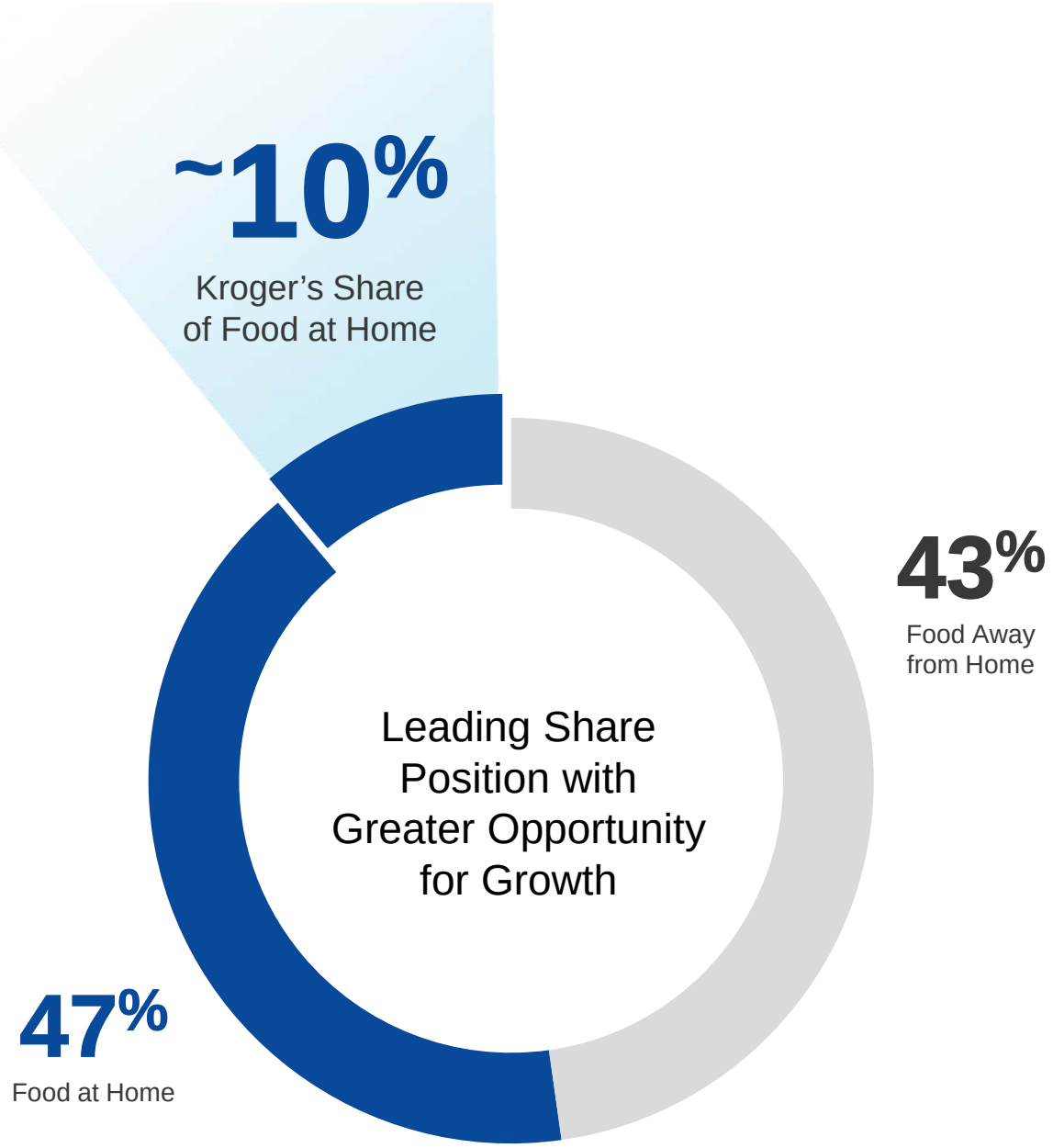
$1.4 Trillion

Addressable Market

#1 or 2 share
in Majority of Major Markets

Highly Fragmented





Trends Shaping Our Industry

Ecommerce	**+60%**	online grocery sales +60% YoY* among fastest growing segments of ecommerce
Cooking at Home	**31%**	eating **lunch at home** vs. 18% pre-COVID
	33%	eating **dinner at home** vs. 21% pre-COVID**
Prepared Foods to Go	**63%**	of consumers reaching for time-saving solutions***



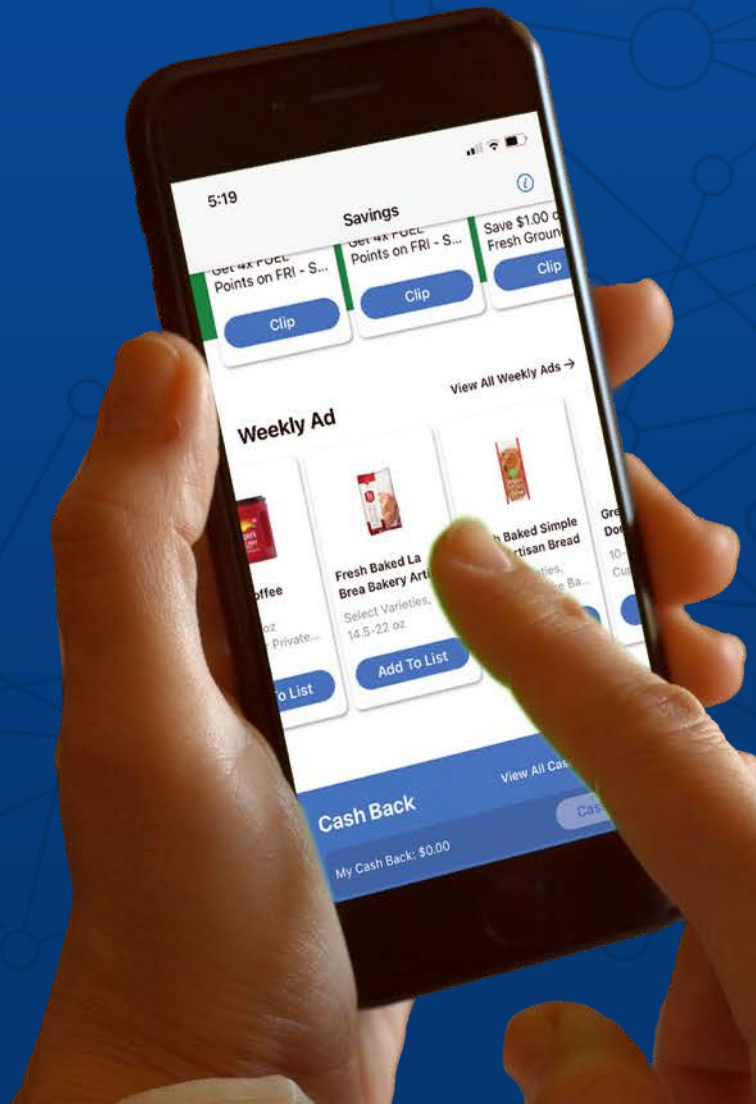
*https://www.barrons.com/articles/the-coming-online-grocery-boom-51600724096

** https://www.supermarketnews.com/consumer-trends/pandemic-sways-most-americans-eat-home-more-often

*** https://www.fmi.org/newsroom/latest-news/view/2019/09/04/fmi-releases-annual-exploration-of-grocery-foodservice

>$10B

Digital Sales



Go-Forward Strategy

Grow Share by Leading with Fresh

Drive Profitability by Accelerating with Digital

Leverage Competitive Moats to
Drive Sustainable Growth

8 – 11%

TSR

Go-Forward Strategy

Grow Share by Leading with Fresh

Drive Profitability by Accelerating with Digital

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Go-Forward Strategy

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Go-Forward Strategy

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Fresh



Our Brands



Personalization



Seamless

Kroger

Promoting Sustainability Through Our Operations and Leadership

Zero Hunger | Zero Waste

Our plan to end hunger in our communities and eliminate waste in our company by 2025

- Achieve zero food waste by 2025 in all stores and across the company
- Accelerate food donations to give 3 billion meals by 2025, with a focus on safe, nutritious food

Kroger associates rescued 100 million pounds of wholesome food from stores, plants and DCs

34 of 36 Kroger-operated food processing plants were zero waste

Committed to phase out single-use plastic grocery shopping bags by 2025



Promoting Sustainability Through Our Operations and Leadership

Governance

- Recently refreshed Board — four new directors added in last two years
- Board composition is approx. 64% ethnically and gender diverse

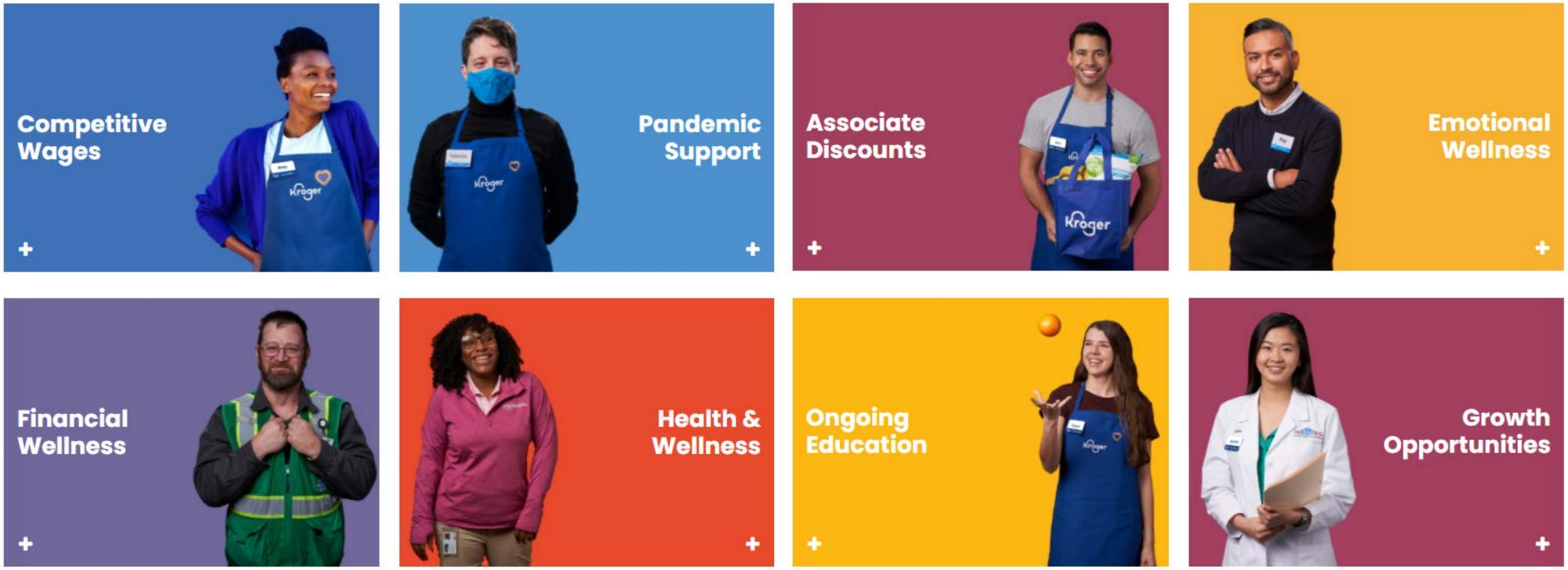
Environmental Stewardship

- New goal to achieve 100% recyclable, compostable, reusable *Our Brands* packaging by 2030
- New science-based goal to reduce absolute GHG emissions by 30% by 2030
- New responsible sourcing goals, including zero deforestation in *Our Brands* products





Life at Kroger

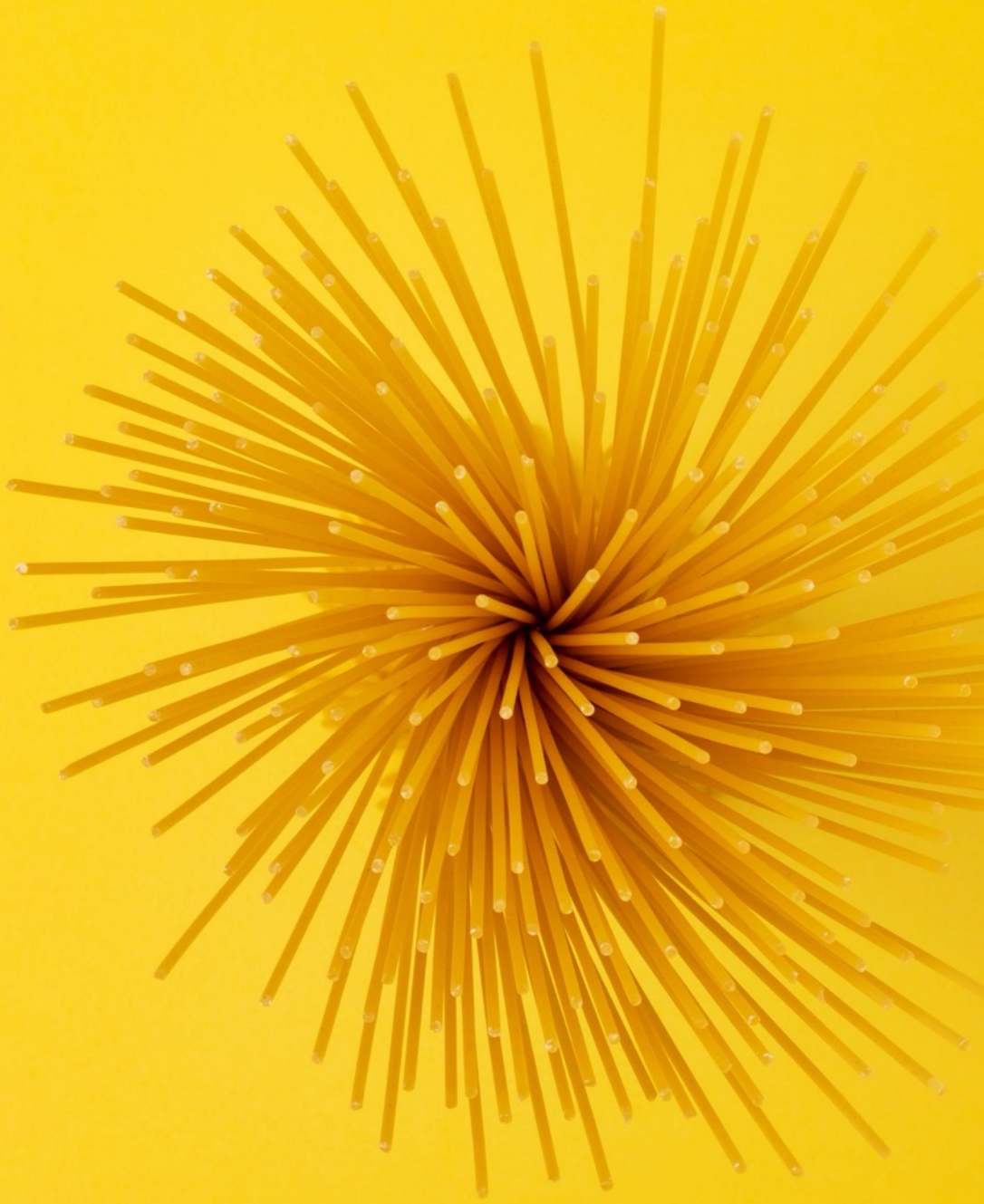


Positioned to Win

Winning Market Share with Fresh Food Leadership

Significant Growth Opportunity in Digital

Strategic Moats Position Us to Compete & Win in a Post-COVID World



Accelerating Digital Growth and Profitability

Yael Cosset | Chief Information Officer



Key Takeaways

Winning Digital Strategy

2x eCommerce Sales

2x Pass-through Profitability Rate



2020

A Year of Massive Digital Acceleration Enabled by Our Seamless Ecosystem



5x

2019 Growth Rate

2x

Ecommerce Sales Growth YoY

>$10B

Digital Sales

2x

Ecommerce Household Growth

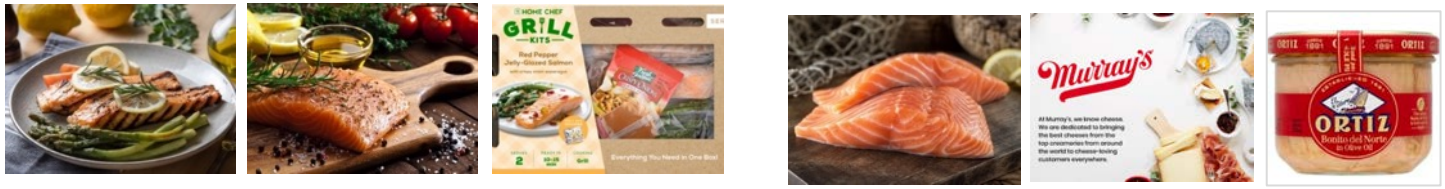
Kroger Seamless Ecosystem

Fresh Food Destination:
Anything, Anytime, Anywhere



Providing What Customers Need and Want…

Ready to Eat | Ready to Heat | Meal Kit | Fresh | Specialty | Extended Aisle





IN-STORE

In-store shopping experience for urgent and daily needs

PICKUP

Order online pickup at a store or remote location

DELIVERY

Order online hand delivered

SHIP TO HOME

Order online boxed and shipped to you

When and How They Want It…

Our Digital Strategy



Accelerate Share Gains

Increasing Reach	Expanding Assortment	Evolving Personalization

Increase Profitability

Leveraging Our Stores	Expanding Our Network	Accelerating Media

2x Sales

By End of 2023



Accelerate Share Gains

Increasing Reach	Expanding Assortment	Evolving Personalization

Increase Profitability

Leveraging Our Stores	Expanding Our Network	Accelerating Media

2x

Pass-through Profitability Rate by End of 2023



Accelerate Share Gains

- Increasing Reach
- Expanding Assortment
- Evolving Personalization

Increase Profitability

- Leveraging Our Stores
- Expanding Our Network
- Accelerating Media

Increasing Customer Reach



In-store



Pickup



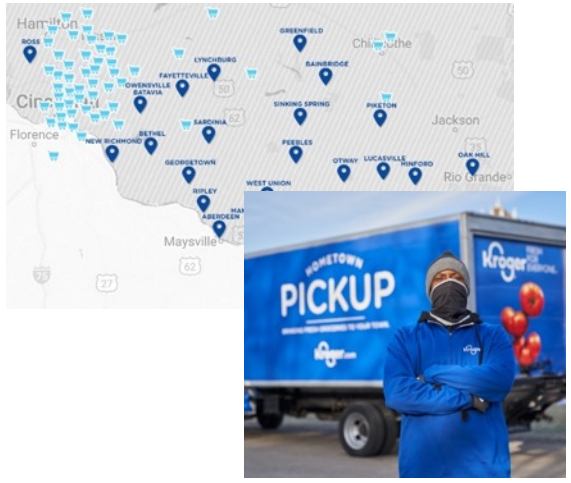
Delivery

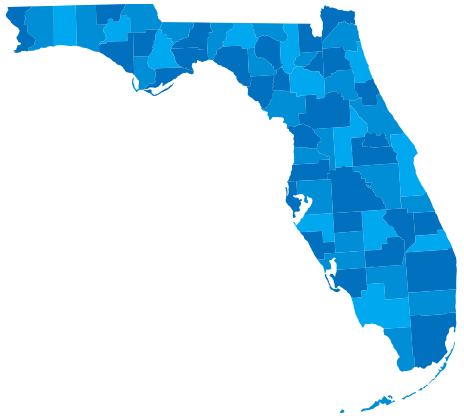


Ship

2x

By end of 2023





Capacity

Proximity

New Geographies

Expanding Assortment

















HOME CHEF



Ghost Kitchens

Fresh meals ready to heat...

to ready to eat

Category Experience, Specialty and Marketplace

Meal Solutions Expansion for Pickup, Delivery and Subscription

Kroger

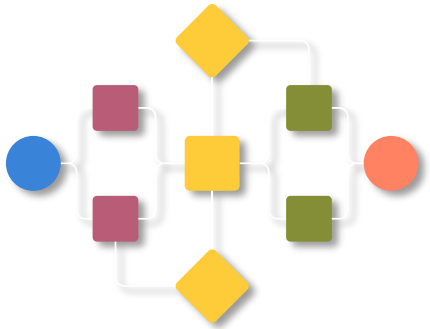
Evolving Personalization

+95%

Touchpoints with personalization present

500B+

Personalized recommendations in 2020





Cohesive Customer Journey

Membership Expansion

Kroger

2x Sales

By End of 2023



Accelerate Share Gains

Increasing Reach	Expanding Assortment	Evolving Personalization

Increase Profitability

Leveraging Our Stores	Expanding Our Network	Accelerating Media

2x

Pass-through Profitability Rate
By End of 2023



Accelerate Share Gains

- Increasing Reach
- Expanding Assortment
- Evolving Personalization

Increase Profitability

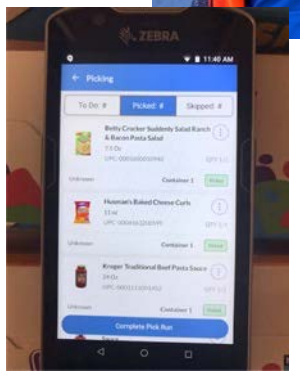
- Leveraging Our Stores
- Expanding Our Network
- Accelerating Media

Profitability — Leveraging Our Stores

2020 Productivity improvement

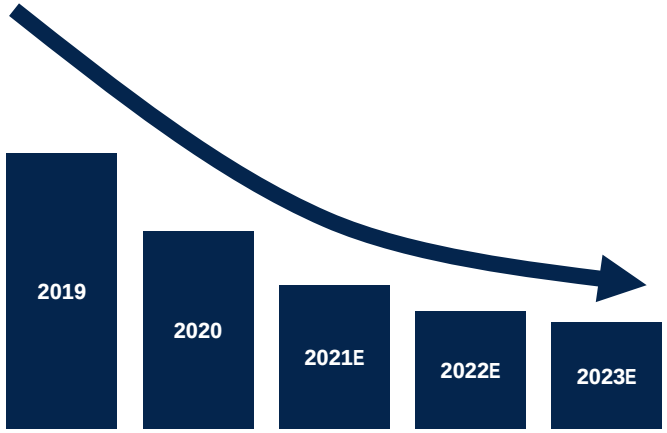
14%





Productivity improvement

30%



Proximity and Process

Talent and Technology

2x

Sales

2x

Pass-through Profitability Rate



Accelerate Share Gains

Increasing Reach	Expanding Assortment	Evolving Personalization

Increase Profitability

Leveraging Our Stores	Expanding Our Network	Accelerating Media

2x

Sales

2x

Pass-through Profitability Rate



COMPETITIVE ADVANTAGE

Increasing Reach	Expanding Assortment	Evolving Personalization

ECONOMIC ADVANTAGE

Leveraging Our Stores	Expanding Our Network	Accelerating Media

Network Fulfillment Strategy Supports Growth

Gabriel Arreaga | Senior Vice President, Supply Chain



Supply Chain Is a Competitive Advantage



Distribution Center Network

Store Fulfillment Network

Direct to Customer Network

Pickup

Full Assortment
1-4+ hour immediacy

Kroger Pickup

Hometown Pickup

Delivery

Full Assortment
4+ hour immediacy

Kroger Fulfillment

Other Partnerships

Ship

Full Assortment
1–2-day immediacy

Kroger Ship

Online Marketplace

Home Chef

Murray's

Vitacost

Supply Chain Enables Seamless



Store

45%

of population within 2-mile radius



Customer Fulfillment Center

75%

of projected population within 90-mile radius

Dynamic Supply Chain — Anything. Anytime. Anywhere.

Assortment and Immediacy						
		Assortment	Same Day	Next Day	Turn Time (hours)	Reach (miles)
Kroger Stores	Delivery from Store	Full	✓	✓	1-2	10
	Pickup from Store	Full	✓	✓	1-4+	20
Fulfillment Network	Ship	Endless Aisle		✓	24+	Entire U.S.
	Delivery & Pickup Customer Fulfillment Centers	Full	✓		4+	90

Customer Fulfillment Centers Drive Profitability

Superior Customer Experience

99%

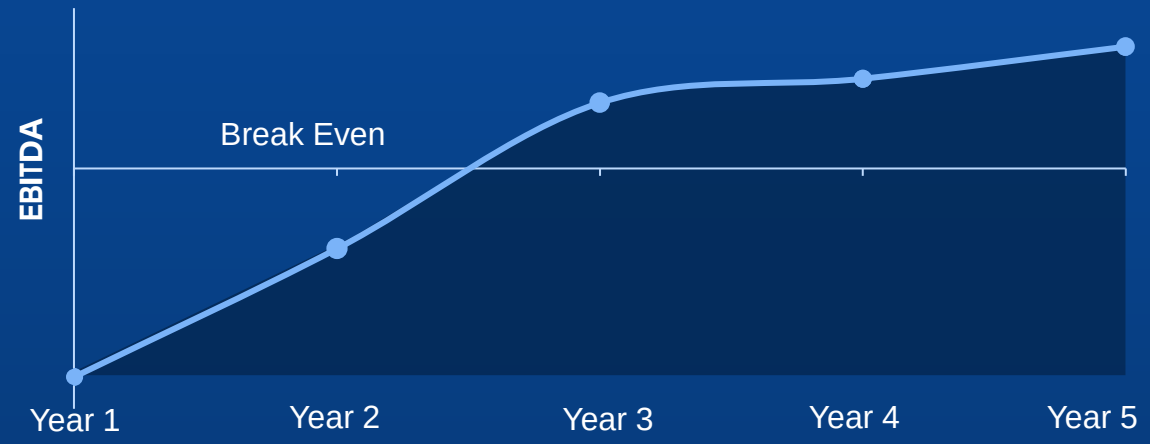
order accuracy

95%

orders delivered on time

Current Ocado UK Operating statistics

Increasing Profitability



EBITDA Drivers

- Economies of Scale
- Route Density
- Training & Retention
- Continuous Improvement

Media: A Key Driver of Digital Profitability

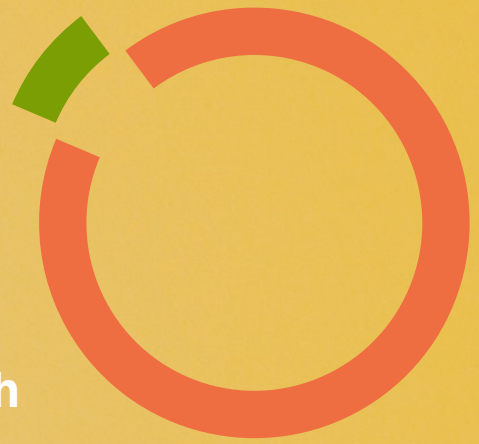
Cara Pratt | Vice President,
Kroger Precision Marketing



Retail Media Is Creating a New Ad Channel

29.8% Growth

Retail Media
$ 22.54 billion
(2020 - 2021E)



16% Growth

Total US Media Spend
$ 269 billion
(2020 - 2021E)

Source: eMarketer

95%

of CPG respondents shared that their digital media spend with retailers is incremental to existing shopper or trade programs

—Merkle,
The Growth of eRetail, August 2020

We’re Built to Meet the New Demands of Marketing

Third party cookies are going away

Addressable

Reach the right shopper with first-party data

Consumers expect seamless commerce

Actionable

Connect shoppers to buy your brand

Brands want data-driven ad investments

Accountable

1:1 verified sales match with Kroger sales data

KPM is designed to make advertising more effective by closing the loop between media exposure and store sales

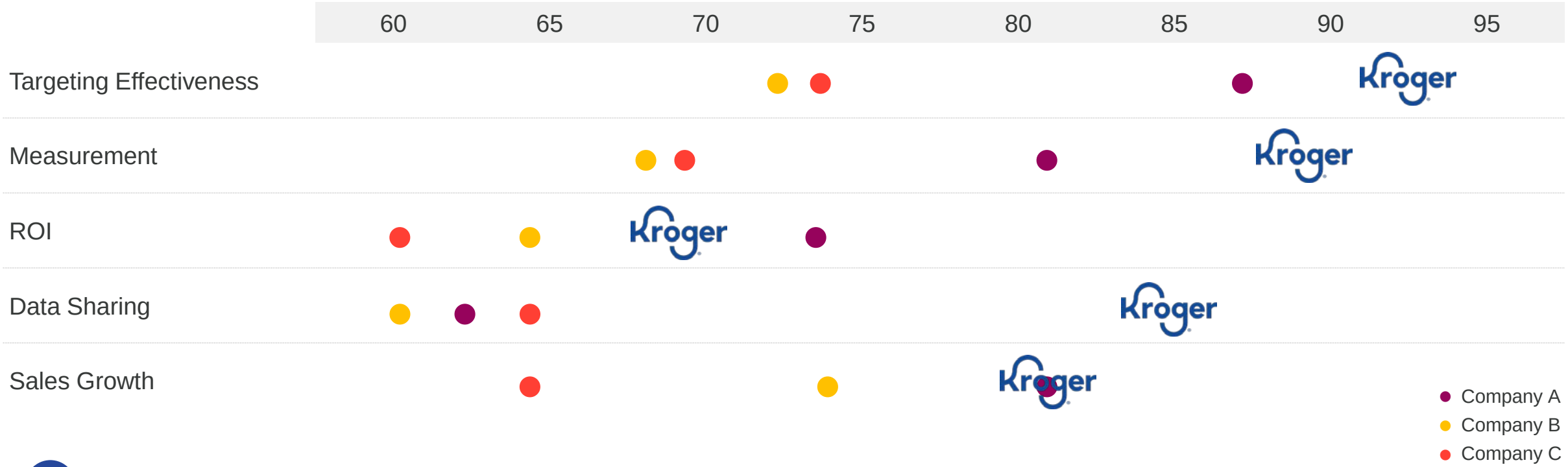


Kroger

Best-in-Class Media Capabilities

KPM leads in CPG performance ratings

Path-to-Purchase Institute Survey, 2021 Trends Report (Kroger vs. Large National Retail and Ecommerce Players)



Source: Path to Purchase IQ 2021 Trends Report, % respondents rating retailer platform excellent or good

The Kroger Difference

Customer Relationships



Helping Brands Make Data-Driven Advertising Investments

Identifying the Best Households

Reducing Wasted Ad Impressions

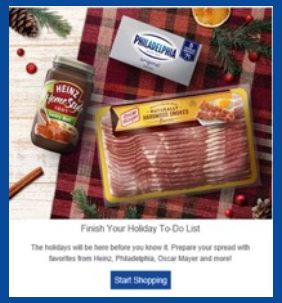
Optimizing Media Mix

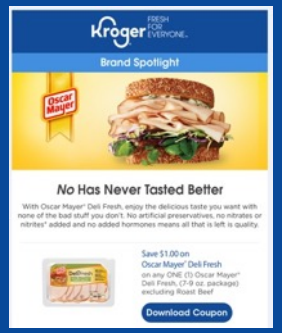


How It Comes to Life for Brands

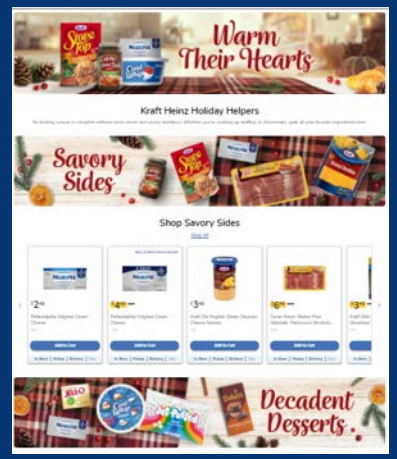
“Kroger’s precision-level data and media capabilities have helped Kraft Heinz expand our consumer base by serving up the right messages at the right time, uncovering consumer-led insights that inform platform solutions, and drive trial plus repeat purchases across our portfolio.”

Elizabeth Bennett, VP Global eCommerce, Kraft Heinz









500%

Average campaign ROAS

Strong Performance Drives Brand Engagement

135%

Revenue Growth

>1,300

Total Brands Using KPM

85%

Brand Retention from 2019

200%

Increase in Spend from Retained Brands



Growing with Food, Leading with Fresh

Stuart Aitken | Chief Marketing & Merchandising Officer



Competitive Moats Drive Growth



2020

A Remarkable Year

$14.4B

Supermarket Sales Growth

14.1%

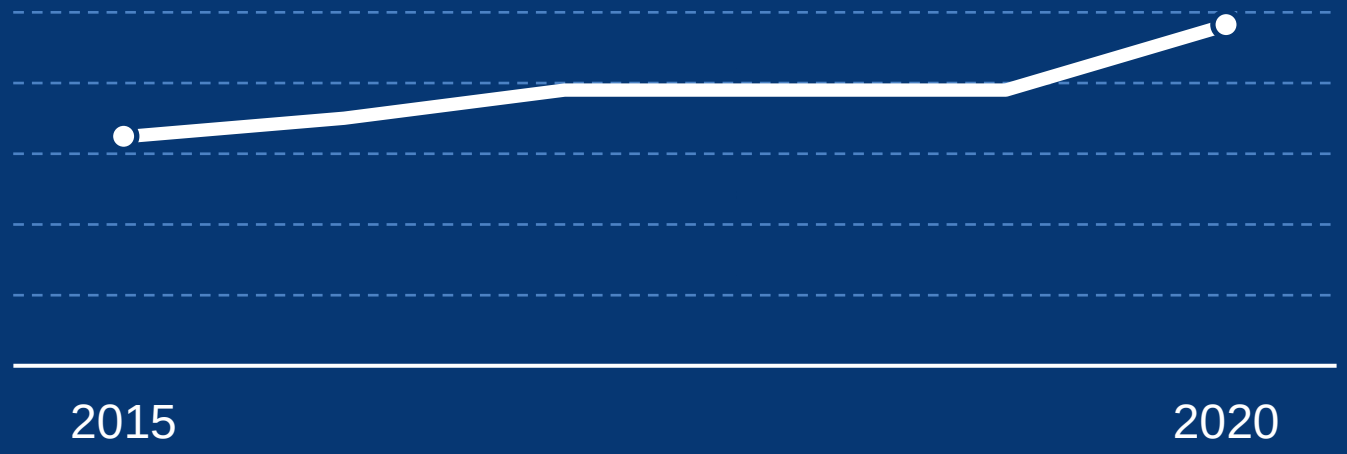
Identical Store Sales

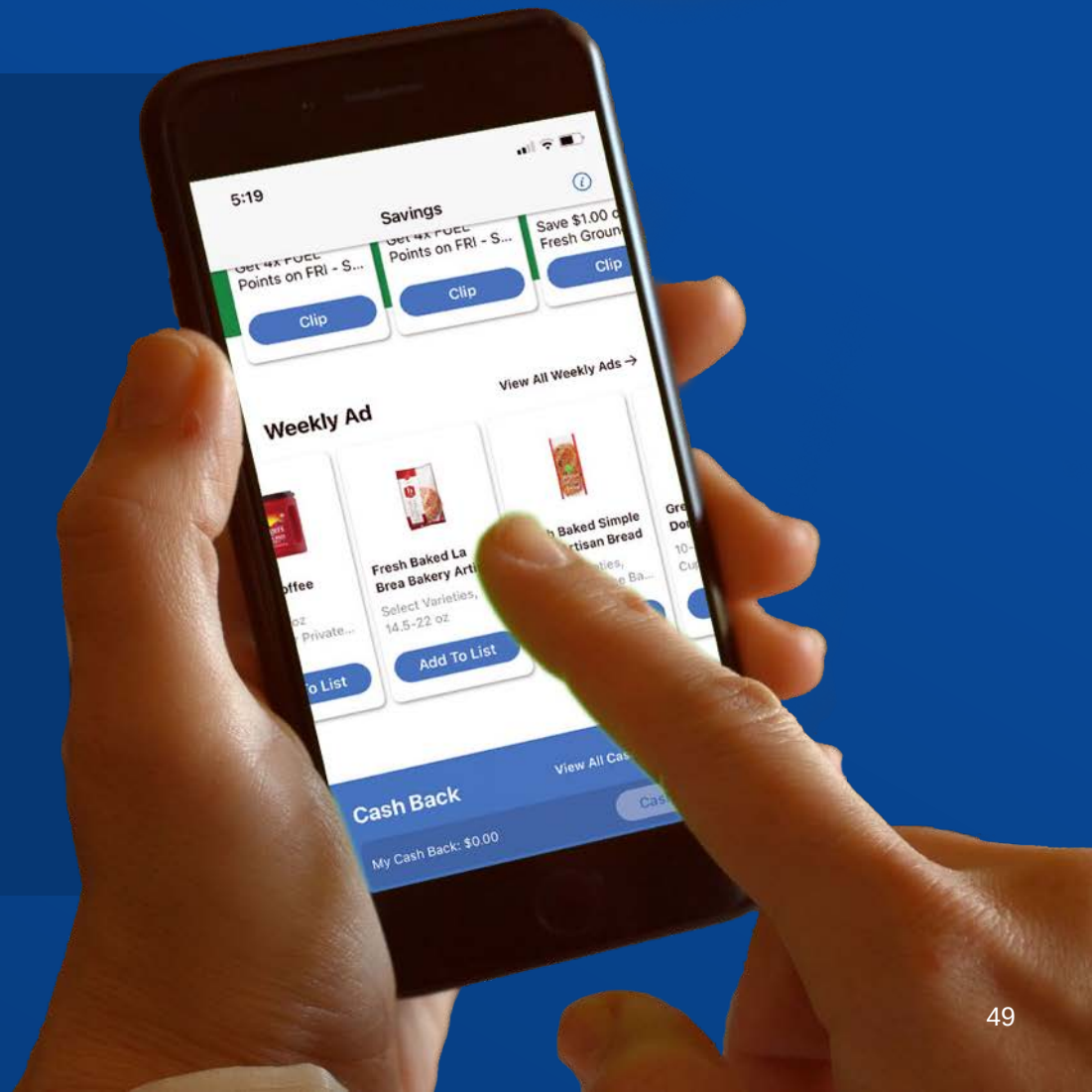


Kroger

Kroger Is Connecting with Customers and Outpacing the Market

Market Share Growth





The Fresh Experience — Farm to Consumer in as Little as One Day







Freshness & Quality — **Fresh Perception**

Supplier → Distribution Center → Store Operations → Store Front



Kroger Leads Largest National Retailers in FRESH

2020 Fresh Equity Scores



Fresh Equity Score is our balanced measure for equity. It provides a 360 view of our performance; customer perception of us as well as how we measure up to other food retailers

Kroger

Driving Growth with Fresh Meal Solutions



Chicken Dinners

Home Chef and Simple Truth Fresh, Hot Chicken



Dinner Tonight

Convenient ready-to-heat fresh meal solutions



Home Chef

Home Chef ready-to-eat, ready-to-heat, and ready-to-cook solutions

Strategic Partnerships



ClusterTruck

A delivery or pickup solution to satisfy everyone’s cravings



SaladWorks

Fresh, prepared healthy options

Fresh Is Available to Customers Where and When They Want It







We Differentiate with Our Brands

PRIVATE SELECTION

simple truth

HOME CHEF

Murray's WE KNOW CHEESE

Kroger



Kroger

Customers Prefer Our Brands

Over a Quarter of Sales Come from Our Brands

Our brands sales are

8x

the largest CPG in-store

Customers Tell Us They Love Our Brands

Net promoter score is

30% – 40%

higher for Kroger, Simple Truth, and Private Selection vs comparable tier of competitive store brand

Our Trends and Innovation Team KNOWS FOOD

100%

of new items rated as good or better than leading CPG

Innovation Is Worth Billions

National Brands



Our Brands: New Items in 2021

660+ New Item Launches in 2021

simple truth	PRIVATE SELECTION	Kroger	Additional Our Brands Products
240 new items	**102** new items	**238** new items	**82** new items

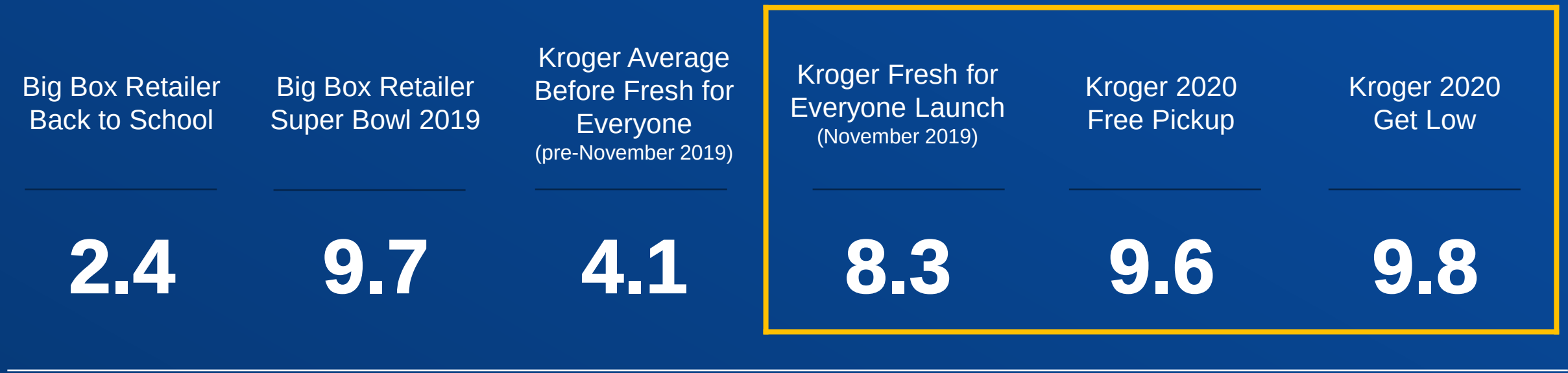
Fresh for Everyone

Amanda Rassi | Vice President, Marketing



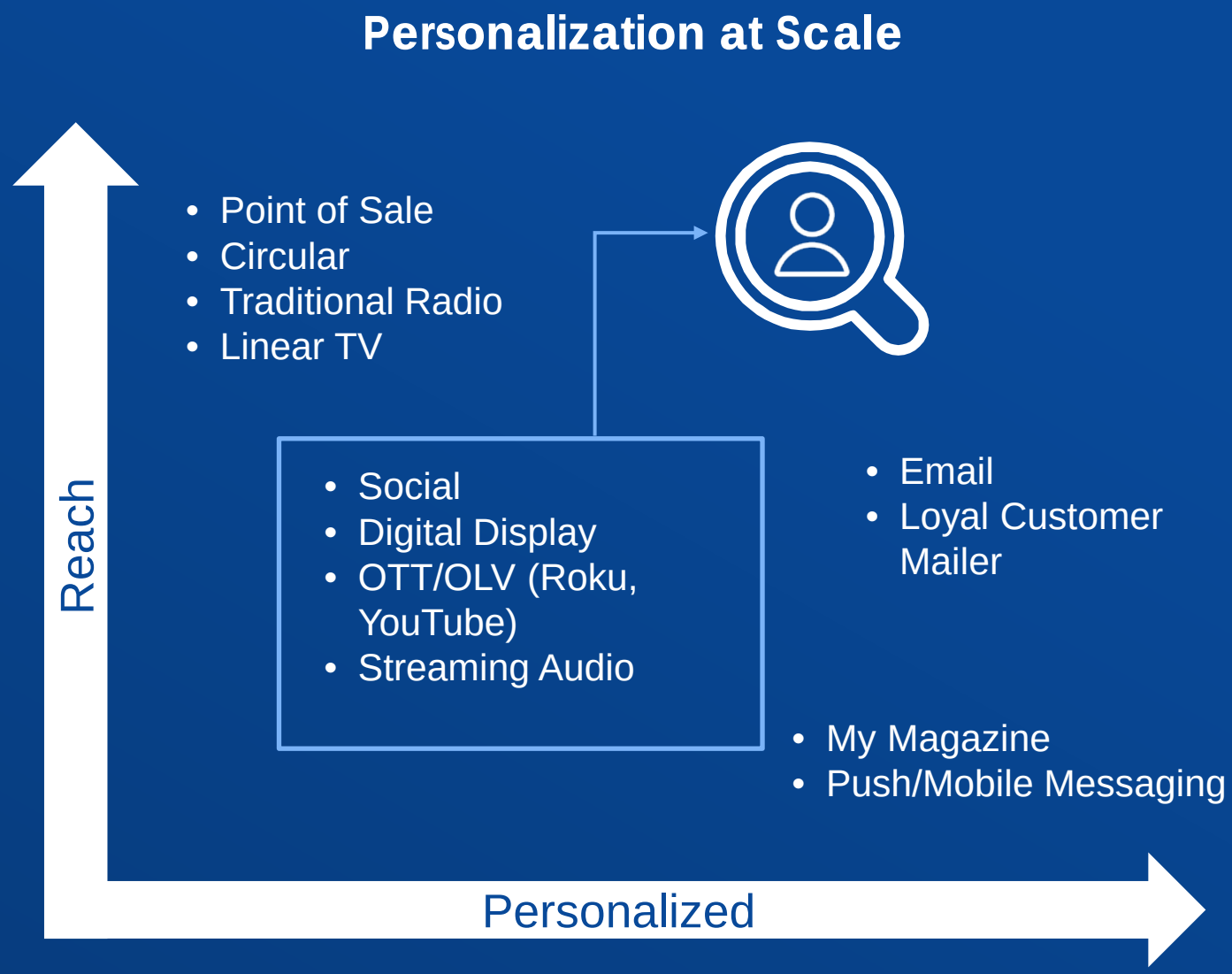
Fresh for Everyone Is Working

Commercial Engagement Scores



Source: iSpot data, 2020

We Will Double Our Personalized Media



In 2021, We Will Be:

“Fresher Than Fresh”

“Lower Than Low”

An eCommerce Growth Engine

Personalized at Scale

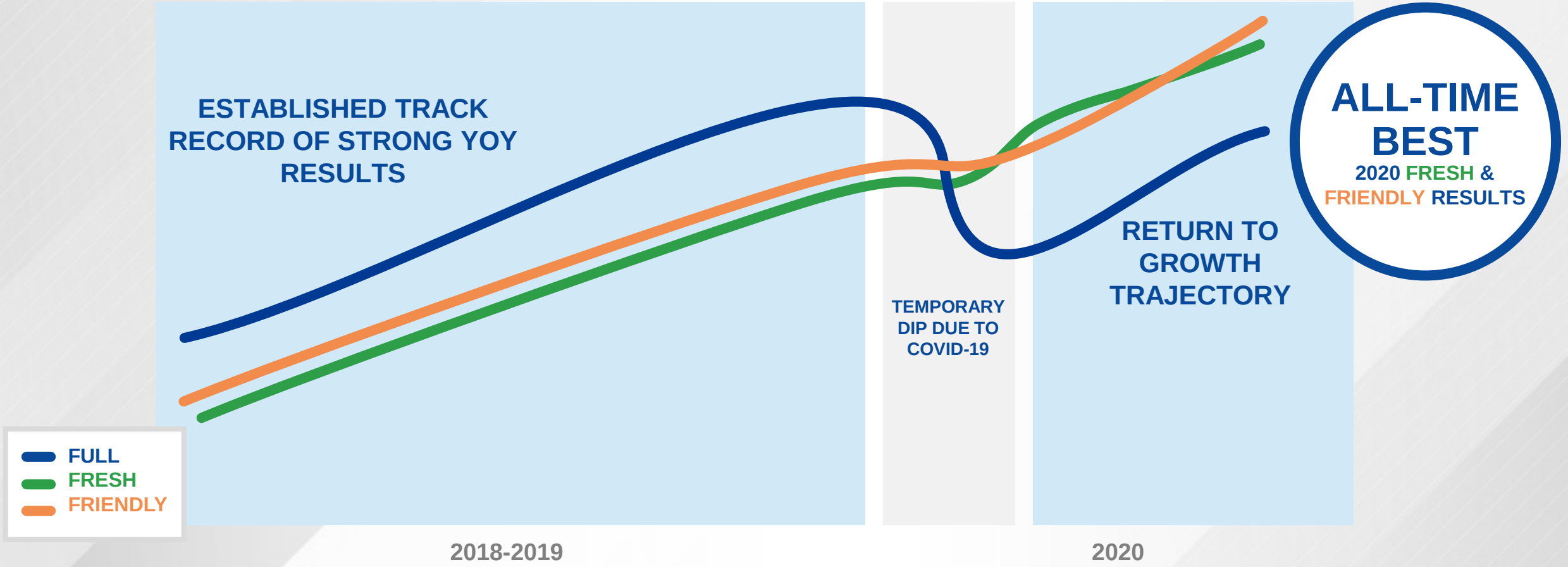


Elevating the Customer Experience

Mary Ellen Adcock | Senior Vice President, Operations



Operational Excellence on Key Customer Experience Drivers, Even in a Pandemic – Full, Fresh & Friendly



Full, Fresh & Friendly Remain Essential to the Customer Experience and New Expectations Have Emerged

Established Customer Behaviors



Products are consistently in stock



Fresh products are high quality



Associates are friendly

Full, Fresh & Friendly Remain Essential to the Customer Experience and New Expectations Have Emerged

Established Customer Behaviors



Products are consistently in stock



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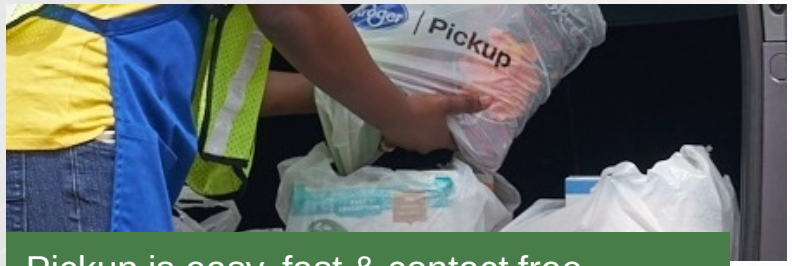
New Customer Expectations



Pickup is easy, fast & contact free



Contactless checkout



Store is safe (masks & cleanliness)



Kroger Leads Largest National Retailers in FRESH

2020 Fresh Equity Scores



Fresh Equity Score is our balanced measure for equity. It provides a 360 view of our performance; customer perception of us as well as how we measure up to other food retailers

Kroger

Competitive Moat: Next-Level Fresh

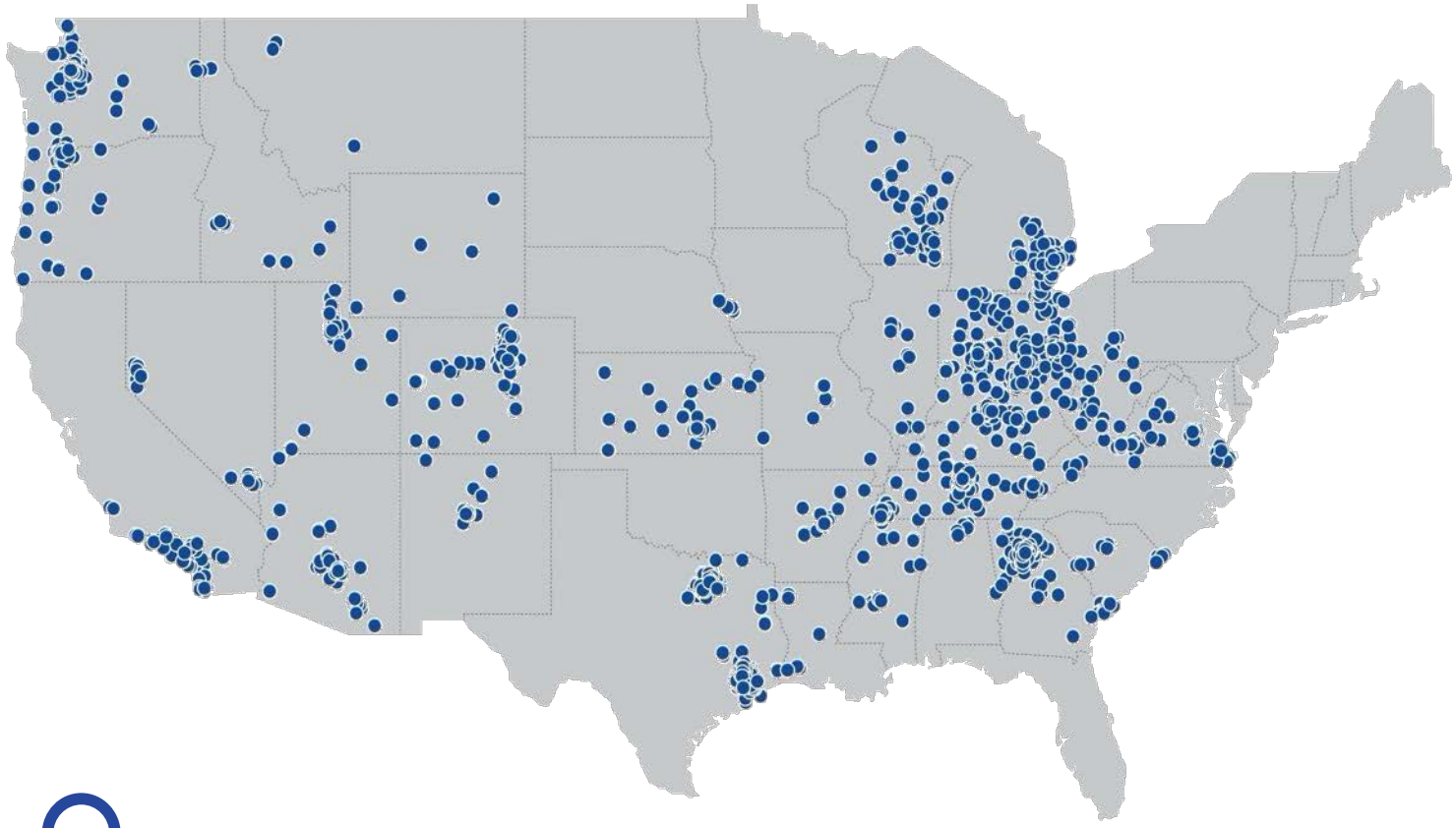
70%

of Customers Choose Grocery Retailers
Based on Quality of Fresh Categories

Supplier → Distribution Center & Logistics → Store → Customer



Driving Growth Through Pickup & Delivery



2,200+

Total Pickup Locations

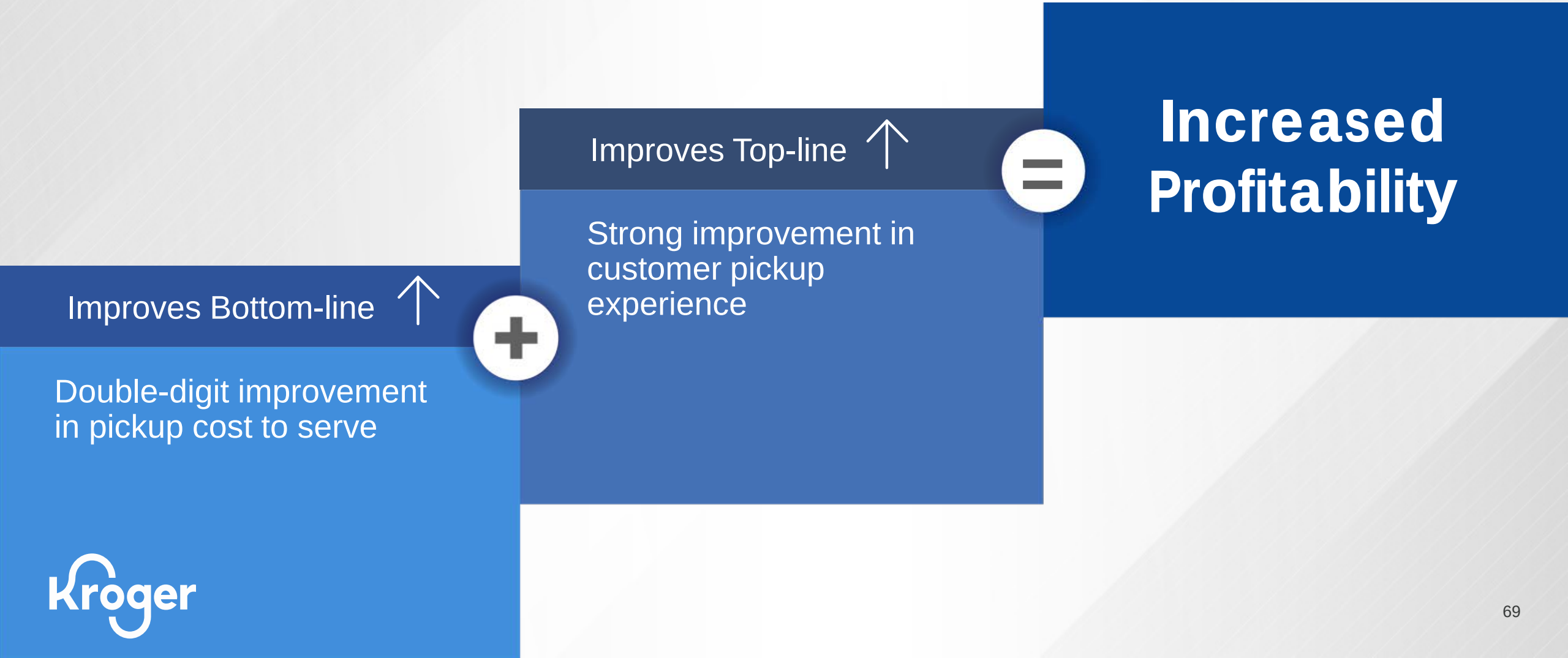
+128%

Orders Per Day Growth in 2020

240+

Pickup Locations Added in 2020

Pickup and Delivery Drive Increased Profitability



Pickup & Delivery Are Important to the Customer Experience

Double-Digit Improvement
in Pickup Cost to Serve

Customer Experience
Achieved Strong Improvement

> *Pickup has changed the way my family shops **FOREVER**, it's so fast and the people working are so friendly!*

> *I have switched from [key competitor] to Kroger. I'm enjoying the fast and friendly service. My orders have been great!!*

Feedback from Kroger Pickup Customers



Delivering Strong & Sustainable TSR

Gary Millerchip, Chief Financial Officer



Key Takeaways

Strong Value Creation Model

Delivering Profitable Growth

Disciplined Capital Allocation

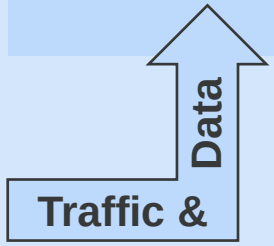


Strong Value Creation Model, Delivering Sustainable TSR

Strong, Durable Retail Supermarket Business

Fast Growing Alternative Profits

Food Platform



High Return Capital Investments

3% – 5%

Net Earnings Growth

5% – 6%

Share Repurchase & Dividends

8% – 11%

Total Shareholder Return

Total shareholder return assumes no change in Kroger's PE ratio

Exceeding TSR Commitments in 2020 and 2021E

	2020-2021E	TSR Model	Vs. Model
ID Sales* (Stack)	9.1 – 11.1%		✓
Adj. FIFO Operating Profit (CAGR)	5.4 – 8.5%	3.0 – 5.0%	✓
TSR**	14 - 18%	8.0 – 11.0%	✓

*Without Fuel

**TSR Calculation: (EPS Projected Growth + Dividend Yield as of 3/26/2021)

Beyond 2021

$200M

Higher adjusted FIFO operating profit base
(vs. TSR model mid-point)

Future growth of

+3 – 5%

From new higher base

Clear Plans to Deliver 3 – 5% Net Earnings Growth

+2 – 4%

ID Sales Growth (ex. Fuel)

- Growing Food Share
- Accelerating Digital

+1 – 2%

Margin Expansion

Drivers	Investments
Cost Savings	Associate
Alternative Profits	Customer

+3 – 5%

Net Earnings Growth

Disciplined Capital Allocation



Margin Expansion

Cost Savings Are a Core Competency



- Waste Reduction
- Administrative Efficiencies
- Productivity Improvements
- Sourcing

>$4B

Cumulative Savings

2018	2019	2020	2021E
>$1B	>$1B	>$1B	$1B
Delivered	Delivered	Delivered	Target

Margin Expansion

Alternative Profit Streams Are a Growth Accelerator



Kroger Personal Finance

Media

Data Insights

Ventures

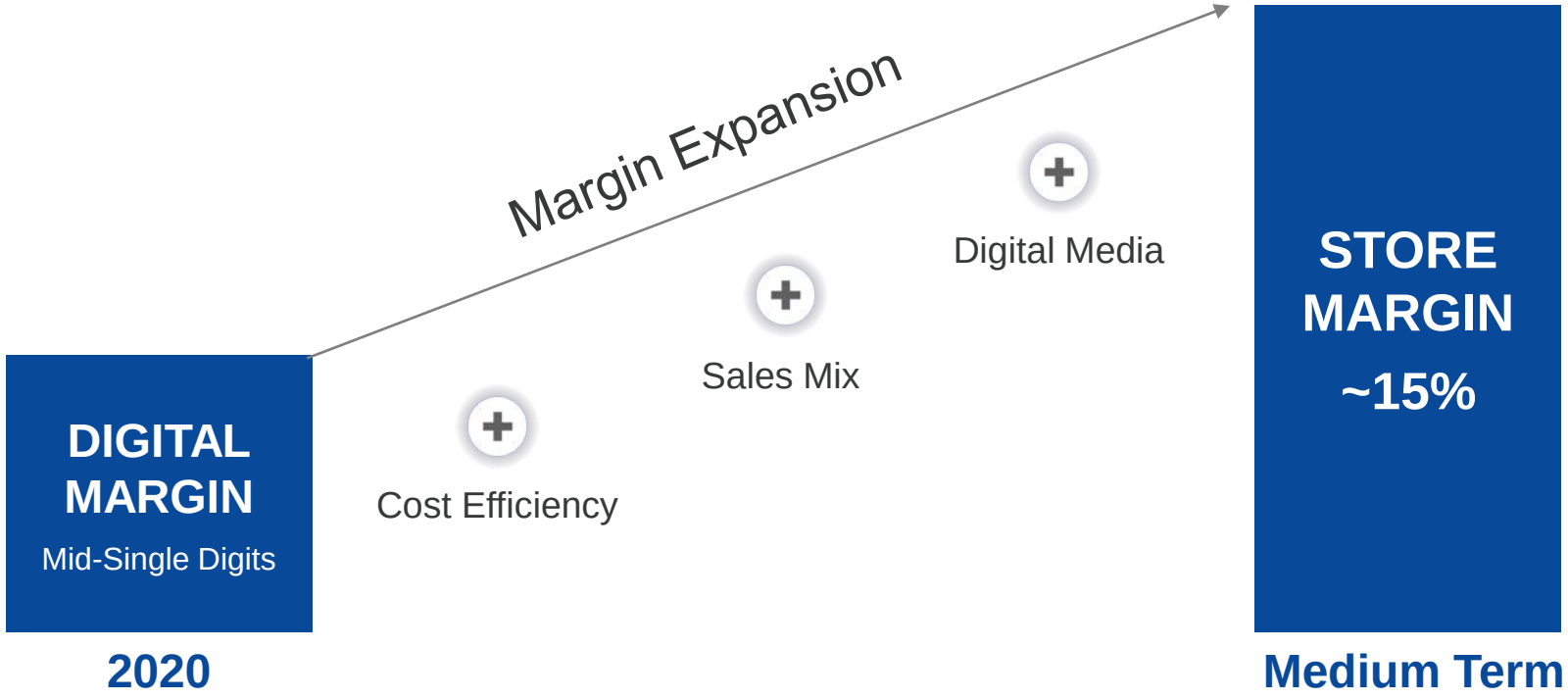
Future Innovation

$350M – $400M

Incremental Profit Growth Expected 2019 – 2021E

Margin Expansion

Bringing Digital Margins In Line with Store Margins



Kroger Delivery Powered by Ocado

Opportunity to Drive Long Term Digital Margin Beyond Store Rate



Investing in Our Associates

$350M

Incremental Associate Investment in 2021E

2018 2019 2020 2021

>$800M

Wage Investments Since 2017

>$20

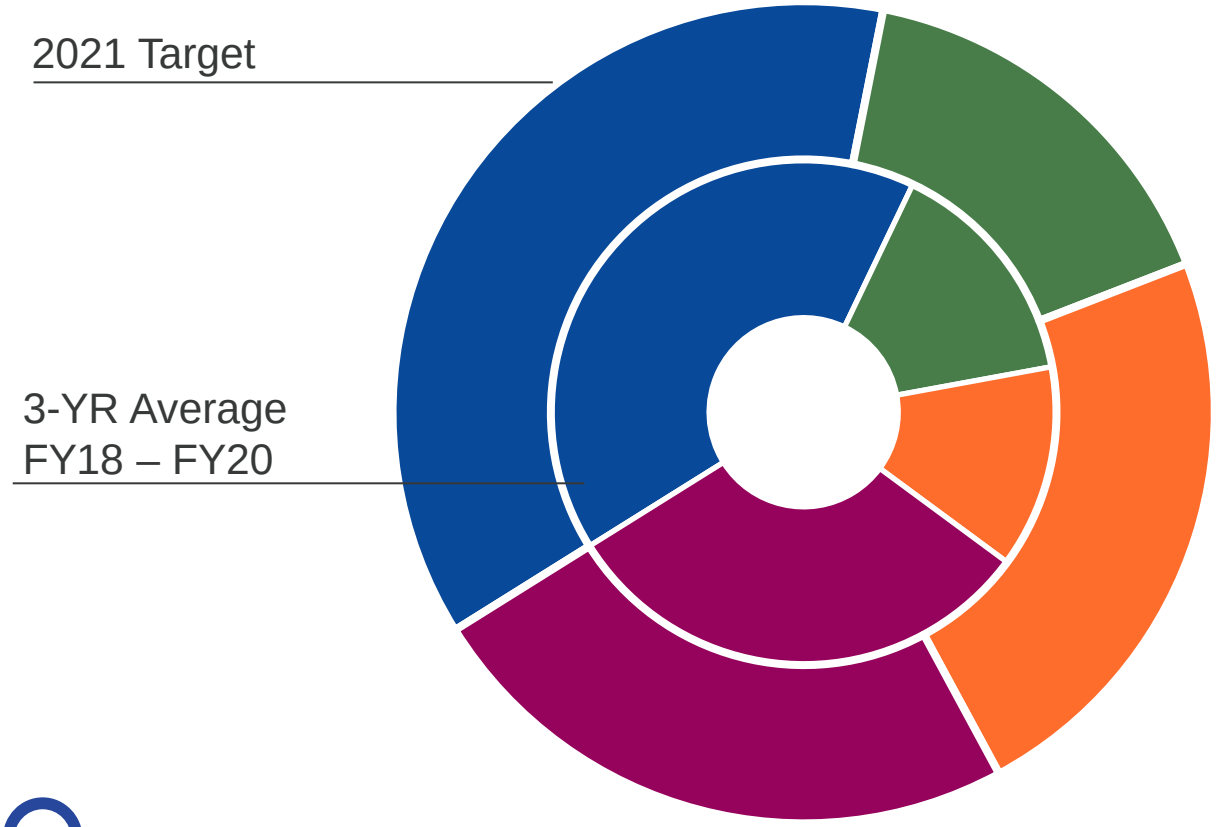
Average Hourly Wage



Disciplined Approach to Financial Management

Investing in the Business for Long-Term Sustainable Growth	Maintaining Current Investment Grade Rating	Consistently Growing Dividends	Returning Excess Free Cash Through Share Buybacks
3 – 5% Net Earnings Growth	2.3x–2.5x Net Debt to EBITDA Range	~13% CAGR Since 2006 Reinstatement	$7.3B Returned 2017 – 2020

Capital Allocation Drives Net Earnings Growth



2021 Spend Allocation Targets

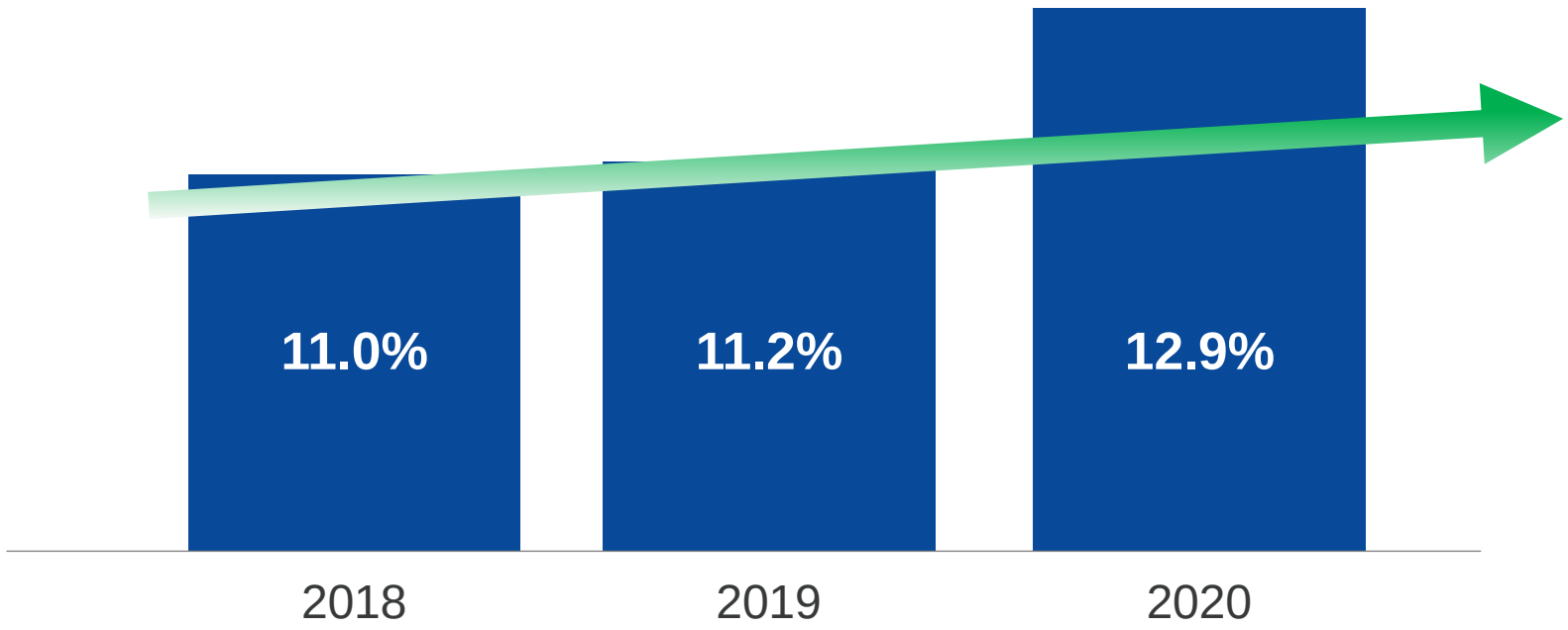
Sales Growth: 30 – 40%
Stores / Competitive Moats / Fuel

Digital Acceleration: 20 – 30%
Digital (Includes Ocado) / Strategic

Margin Expansion: 15 – 25%
Cost Saving Initiatives

Maintain the Business: 20 – 25%

Improving ROIC Performance



Beyond 2021

- Continued Strong Business Performance
- Disciplined Approach to Capital Deployment with Focus on Growth Enhancing Initiatives

Generating Strong Free Cash Flow

2017 – 2021E

>$11B

Adjusted Free Cash Flow

>8%

Average Free Cash Flow Yield

Adjusted Free Cash Flow = Operating Cash Flow (before company sponsored pension contributions and payments related to restructuring of multi-employer pension plans) – Capital Expenditures and excluding the tax effect of the sale of strategic assets.

Committed to Returning Cash to Shareholders

>$7B

Cash to Shareholders Via Dividends & Share Repurchases (2017 – 2020)

~13%

Dividend CAGR Since Reinstatement (2006 – 2020)

Kroger

Investment Thesis

Leading Market Position with Exciting Growth Opportunities

- No 1 or No 2 Market Share in majority of markets
- Unmatched Data on 60 million Households
- $26B Our Brands Business
- Fast Growing Digital Business, >$10B

Proven Value Creation Model

- Net Earnings Growth, 3-5%
  - ID Sales Growth (ex. Fuel), 2-4%
  - Margin Expansion (net of investments), 1-2%
  - Cost Savings, $1B Annually
  - High Growth, Margin Accretive Alternative Profits
- Disciplined Capital Investments
- Cash Payout 5-6% (Dividends & Share Repurchases)

Strong Balance Sheet & Resilient Free Cash Flow

- Strong Free Cash Flow Yield
- Investment Grade Debt Rating
- Current Debt: EBITDA 1.75X

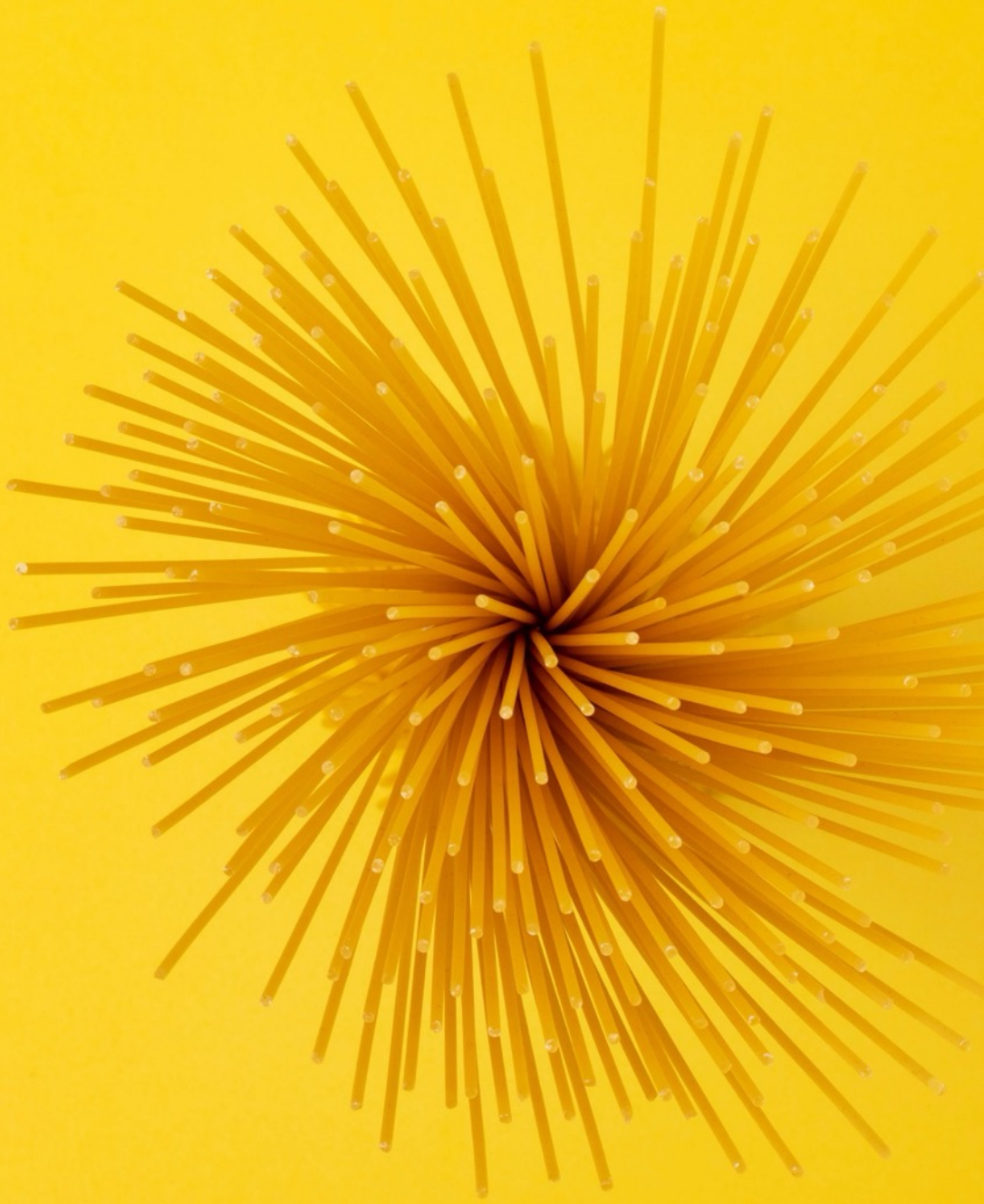


Positioned to Win

Winning Market Share with Fresh Food Leadership

Significant Growth Opportunity in Digital

Strategic Moats Position Us to Compete & Win in a Post-COVID World



Safe Harbor

This presentation includes forward-looking non-GAAP financial measures, which management believes to be useful to investors and analysts. Kroger is unable to provide a full reconciliation of the non-GAAP measures used in our guidance, including, but not limited to, adjusted FIFO operating profit to operating profit, and adjusted free cash flow, without unreasonable effort because it is not possible to predict with a reasonable degree of certainty the information necessary to calculate such measures on a GAAP basis. It is not possible to estimate with a reasonable degree of certainty certain of our adjustment items because such information is dependent on future events that may be outside of our control. The unavailable information could have a significant impact on our GAAP financial results.

