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The Kroger Co. (KR)

Investor Day

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MANAGEMENT DISCUSSION SECTION

Rob Quast

Vice President-Investor Relations, The Kroger Co.

Good morning, everyone, and welcome to Kroger's 2026 Investor Update. I'm Rob Quast, Vice President of Investor Relations. It's great to be together here in New York and see so many familiar faces, while also welcoming those that are new. I'd also like to welcome everyone joining through the webcast. Thank you for taking the time to be with us.

Today, you'll hear directly from our leadership team about how we are building America's favorite grocer, and how we're achieving that ambition with a clear set of priorities and a stronger financial framework. We're excited about Kroger's future. We believe we have the right strategy, the right team, and a clear path to create meaningful and sustainable value for our shareholders.

Our presentations will begin with our CEO, Greg Foran, who will outline Kroger's strategy and path forward. Our leadership team will then take you through our priorities for driving profitable growth, delivering value, and modernizing operations. And finally, our CFO, David Kennerley, brings it all together with our long-term financial outlook and capital allocation priorities. Following the presentations, we'll have an opportunity for Q&A with members of the leadership team.

Before we get started, I have a few housekeeping items. We'll take two breaks during today's program. First, we will follow Mary Ellen's Win With the Customer section; and the second will come just before David's financial update. I'd also like to remind everyone that today's presentations will include forward-looking statements.

We want to caution you that such statements are predictions, and actual events or results can differ materially. A detailed discussion of the many factors that we believe may have a material effect on our business on an ongoing basis is contained in our SEC filings. The Kroger Company assumes no obligation to update that information.

During this presentation, we may discuss certain non-GAAP financial measures. Kroger is unable to provide a full reconciliation of the GAAP and non-GAAP measures used in this guidance without unreasonable effort because it is not possible to predict certain adjustments without a reasonable degree of certainty.

Now, before I turn it over to Greg, let's take a look at Kroger today and the opportunities ahead.

[Video Presentation] (00:02:22-00:03:57)

Gregory S. Foran

Chief Executive Officer & Director, The Kroger Co.

Good morning, everyone, and welcome to Kroger's 2026 Investor Update. First of all, I want to thank you for being here in New York, and thank you to our associates, our suppliers, and our customers because, frankly, you are what makes this company great.

I also want to recognize the members of the board who are here with us today, and a special thanks to our Chairman, Ron Sargent, good morning, Ron, who, as you know, has played and continues to play such an important role in Kroger's success. So, thank you, Ron.

Our ambition at Kroger is simple, to build America's favorite grocer. And today, you're going to hear us talk about our plan to do that as we strengthen our core advantages, our scale, our store network, strong local banners, deep customer relationships, powerful brands, and digital data and media assets.

I've been in retail my whole life. I can tell you when I was considering my next professional move, Kroger was the best job on the planet. I saw an incredible opportunity to build on this strong foundation to create America's favorite grocer, and a tremendous opportunity to deliver what customers need and want.

I took on the role 250 days ago, and I still believe that today. Now, we have a focus plan to do that; by winning with the customer, by driving profitable digital growth and modernizing how we operate; and we have the best team in retail to execute that plan, a team that's excited to deliver. In turn, we're going to drive outcomes for our shareholders and value for our customers.

Now, why am I confident that we can do all of this? Well, let's start with why we win. Supermarkets done well are a fantastic business. They deliver value, they deliver convenience, and they hold a trusted relationship with their customers. I've lived and worked in six different countries, and the supermarket is still the dominant format in food retail. We see that as our opportunity as well.

People want fresh food. They want it close to home, and they want it at a price that works for them. Increasingly, they know they can get this experience when they walk into a store or open an app. Digital is changing how people shop for food. Scale, local density, and the insights that come from high-quality data matter more than ever.

Now, at Kroger, we are a scaled grocer focused on food. We operate a store network across 35 states with strong local banners, deep customer relationships, powerful brands, and digital, data, and media assets that very few in retail can match. As a team, we're bringing our assets together to execute with more focus, more discipline, and more urgency.

We have what we need, now, we execute. And that's how this creates value for our customers, our associates, and our shareholders. When we execute, we grow sales, we expand the margin, and we improve returns. You'll see the numbers behind that today. As we look at the opportunities ahead of us, of which there are many, we've already made progress, but there's a lot more work to do.

We're focusing our attention and investing resources behind the things that matter most. We're prioritizing our core grocery, eCommerce, store, and media assets. We're stepping away from non-core activity and complexity that does not improve the customer experience or earn an attractive return.

We're also changing how we work. Try things, move quickly. When something works, scale it fast. When it does not, end it fast. These are not easy decisions. But if we're asking the organization to move faster, we cannot keep work, assets, and layers that distract us from building America's favorite grocer.

You can see it in the way that we're optimizing our footprint, our focus on item-level merchandising, and store standards, and simplified roles. You can see it in the launch of the Kroger Capability Center. The point is simple. We are focusing resources closer to the customer and where we see the best returns; value, service, digital, customer experience, stores, and supply chain.

Americans spend approximately \$2.5 trillion every year on food, including over \$1 trillion on food-at-home. Food-at-home remains fragmented, and we've got a clear opportunity here to lead because grocery matters, because scale matters, because local presence matters. But what gives us confidence is not simply our size. It's how the industry is evolving.

As more grocery spending moves online, our combination of store density, digital capabilities, and our fulfillment network creates advantages that few supermarkets can match. As household budgets come under pressure, we're leveraging our scale more effectively to strengthen our value proposition, and provide more reasons for customers to choose Kroger.

And as consumers increasingly look for convenience and healthy choices, we have an opportunity to capture more food occasions through fresh foods, prepared meals, and ready-to-eat offerings. Scale gives us more ways to drive value, serve customers, and win share. We're already leading many grocery competitors, and we're proud of that. Our banners have longstanding relationships in the communities they serve.

Our divisions and store teams know their customers and competitors, and we know how to serve customers however they choose to shop in store or online. The good news is, we already have what we need. We have approximately 2,700 stores across 35 states, a roughly \$18 billion eCommerce business, and a \$40 billion Our Brands business.

Large-scale manufacturing and supply chain assets, and around 95% of sales tied to a Kroger loyalty card. And these assets, they work together. Stores give us proximity, and enable pickup and delivery. More digital engagement gives us better data. Better data strengthens personalization, and our Retail Media business, compelling Fresh products, Our Brands, convenient fuel stations, and highly qualified pharmacists give households more reasons to shop with us. So, let me be clear. The ingredients to win are already inside Kroger. Our job is to bring the teams together and execute our strategy consistently and with excellence to unlock the full potential of what we have.

Before I talk about the path forward, let me give you my assessment of how we got here. First, execution became inconsistent. The store experience varied too much. Since I joined, I've walked stores nearly every week, usually with a team from the support center, and the best ones, the entrance is inviting, the sight lines are right, the produce is fresh, the shelves are full, and the checkout is fast. That is the standard, and our best stores hit it every day.

Others are not there yet, but we know what great looks like, and we know how to get there. With well-defined standards, stronger accountability, and hands-on support from our division and support center teams, we are creating a more consistent experience for our customers across every store.

Second, operating costs grew faster than sales. That reduced our ability to invest in the customer and protect margins at the same time. Third, our value position did not keep pace. The promotions became overly complicated. Customers had to work too hard to take advantage of them, and the perception of our price position weakened.

And finally, we made capital investments that did not produce the returns we expected, and we did not build enough new stores at a time when much of the industry was expanding quickly. The result is, we lost share. We own that. The good news is that Kroger can address these issues.

So, here's the bridge from this year to the targets that you'll see today. Our stores have to execute consistently across the fleet. Our customer value plan has to land with customers and scale. And we have to invest in capital projects holding ourselves to higher returns. All three are inside our control, and all three are essential to delivering the targets that we'll outline today.

Let me turn to the path forward. We've got three priorities. First, win with the customer, earn more trips, grow the basket, and expand our reach where we can generate attractive returns. Second, drive profitable digital growth, bring more households into first-party eCommerce business, and accelerate our high-margin Retail Media business. Third, modernize how we operate. Take cost and complexity out, move faster, and fund it ourselves through margin discipline. We can do all three at once. And if we do, we have a long runway to profitable growth.

Building America's favorite grocer requires winning the customer in-store and online. Value is where we start. That means sharper everyday prices and simpler promotions. Now, we will pace this new customer value plan against the savings that fund it. And I can tell you that early customer response has reinforced our confidence in this approach.

We'll improve the customer experience. That means higher fresh standards, better in-stock, more meal solutions, and growing Our Brands' penetration. And we'll expand access to that great customer experience by opening approximately 110 new stores in attractive, high-return markets through 2029. We're also adding space for food, meals, and eCommerce fulfillment, and new store formats allow us to reach customers, more customers, with efficient capital investment.

We'll also give customers more ways to earn and redeem with flexible points, boost membership, and the new Kroger Credit Card in one program that's easier to use and more valuable to customers. The equation is straightforward. Together, these initiatives give customers a reason to turn right into our parking lot, or swipe to Kroger more often.

Let me turn to our second priority, driving profitable digital growth. This is where the urgency is highest and the opportunity is biggest. Most of the growth in grocery today is happening online. Customers are increasingly choosing delivery, and that's where we have to lead. The good news is, we have the assets to win, and there are three reasons that I believe Kroger is well positioned.

First, scale. We already have \$18 billion eCommerce business. We built real capability. Second, store proximity. Our 2,700 stores put us close to customers, and give us a real advantage in pickup and delivery. They allow us to provide speed, broad assortment, and a strong, fresh offering, while improving the economics as we grow.

And third, data. Yeah, 95% of our sales are tied to loyalty customers, meaning that we understand whether our Retail Media business is reaching the right customers, and resulting in an actual sale. Of course, this is increasingly valuable to advertisers, and it's a high-margin growth for Kroger. These assets reinforce one another. The opportunity is now execution.

When we operate well, we perform well, and we need to operate faster and more efficiently. Our commitment is that we will fund the investments needed in the business ourselves. By 2029, we're targeting \$4 billion of annualized cost savings, spending less where the customer does not see value, so we can invest more where the customer does.

And we're going after every available margin dollar across the business, sourcing more directly, buying smarter in cost of goods, reducing indirect spending, and moving repeatable work into a more scalable operating model

through the Kroger Capability Center. We're investing in digital shelf labels, RFID, robotics, and AI, helping us to act faster and update the shelf more accurately.

And supply chain modernization and automation will improve flow, freshness, and availability. Every single one of these actions has the same goal; take cost and complexity out; put the savings back into customer value and execution; and expand margins over time.

I want to spend a few moments on culture. None of this works without the right people moving at speed to improve the business every day. We're strengthening store and division leadership because the best decisions are often made closer to the customer. Store leaders have the authority, information, and support to run great stores.

We're raising accountability, sales, service, in-stock, productivity, returns. We'll measure them, manage them, and own the outcomes. And we're giving associates better tools and training. Technology is taking repetitive work away, so our associates can spend more time, serving customers, improving fresh, and keeping the shelf full.

I believe we have the best team in retail. We've had leaders who have spent decades at Kroger and deeply understand our culture, our banners, our customers, and what it takes to win every day. We've also brought in exceptional talent from across retail, consumer technology, supply chain, and digital businesses who bring fresh perspectives and new ideas.

Together, this team brings a unique combination of experiences. They've built brands, developed high-quality teams, transformed supply chains, scaled eCommerce platforms, grown loyalty ecosystems, advanced personalization capabilities, and developed Media businesses. They understand both the fundamentals of grocery retail, and the capabilities required to compete in a rapidly evolving marketplace.

What makes this team special, however, is not simply their experience. It's how they work together. They challenge one another, make decisions quickly, hold themselves accountably. Most importantly, they're operators. They know how to execute. They understand the work, they understand our customers, and they are aligned around our focused strategy to grow Kroger and create long-term shareholder value. You'll hear directly from many of them today. Yael and George could not join us as they're with the Kroger team in Delaware.

As we build a stronger Kroger, we are deeply focused on delivering better financial outcomes. We're raising our growth outlook and setting new long-term targets. We're targeting approximately 3% comparable sales growth, excluding fuel and pharmacy in 2029. The target reflects our focus on growing the top line performance of our core grocery business, and provides a clearer view of that business, including growth resulting from relocations and major store remodels.

We're also targeting 3% to 6% compound annual growth in adjusted EBITDA, and 7% to 11% compound annual growth in adjusted net earnings per share over the 2027 to 2029 time horizon, with improvement over time as initiatives take hold. Now, this is different from our previous framework focused on total shareholder return, which included dividends, and this implies a stronger earnings outlook.

These targets better align with how we're thinking about value creation. These numbers are ambitious, and they are realistic. I'm confident that what I've outlined for you, and what you're going to hear from the team will enable us to achieve these goals.

With that, I'm going to hand to Mary Ellen, and she's going to show you exactly what we're doing to win with the customer, making value easier to see, and giving households more reasons to choose Kroger more often. Thank you.

Mary Ellen Adcock

Executive Vice President, Chief Merchant & Marketing Officer, The Kroger Co.

Thank you, Greg. I'm Mary Ellen Adcock, Executive Vice President, Kroger's Chief Merchandising and Marketing Officer, and I'm excited to be here today to show you how we're building America's favorite grocer, shopping experiences more customers will choose every day more often.

Our path to approximately 3% comparable sales is built on two priorities; winning with the customer and driving profitable eCommerce growth. And these strategies reinforce one another. As we strengthen the value proposition, we grow more trips and more frequency, both in-store and online. And as we grow eCommerce, we deepen the customer relationship as more of our customers are shopping online every year.

So, I'm going to start with winning with the customer, and then Nate will take you through how we're driving profitable eCommerce growth. Winning with the customer requires elevating the customer experience through four key priorities; first, making value visible, lowering our everyday prices, and making our promotions more simple and less complexity.

Second, elevating merchandising and growing our brands, investing in areas Kroger has a right to win and that differentiate Kroger. And third, building a refreshed store format, a food-first experience, with more capacity for areas where the customer is growing like meals and eCommerce, and we'll do this in a disciplined way. And then, finally, loyalty; strengthening our loyalty program for our more than 65 million customers, giving them more ways to earn, redeem, and shop with us every day.

The priorities that I've just outlined are based on deep analysis from our industry-leading, first-party data. Today, approximately 95% of our sales are tied to our loyalty customers, and through our proprietary analytics with 84.51°, we know what customers buy. We know what offers customers notice. We know how preferences change by household, by market, and shopping occasion. And this data informs our understanding and the whole customer relationship across the store, pickup, delivery, fuel, and pharmacy.

And our data shows us three key things that are changing about the customer, that inform the changes that I'm discussing with you today. First, customers respond to lower prices and simplified promotions. Second, customers are looking for more fresh offerings, and more Kroger Our Brands. And third, customers want a connected experience across the store and eCommerce.

Now, let's talk about the value proposition, and I'm going to be very direct. Today, not enough of our customers understand the value Kroger offers. Just a few weeks ago, we got an e-mail from a customer that clearly outlined the complexity with three price points and one offer, clearly too complex, especially if you're a customer that only wants to buy one item or doesn't want to download the app.

Now, this is just one example. More broadly, our customers have a point. When we're on promotion, our items are very competitive, but our promotions are complex. And when we're not on promotion, our everyday prices appear too high. So, this is why we're fundamentally changing our approach to make value more visible, and here's how we're doing this.

Today, we rely heavily on promotions. But to be clear, we will not abandon promotions. They're an important way of how customers shop. But we will be more selective about our promotions through reducing complex offers, eliminating unproductive offers. Now, we'll keep the ones that are working and make them more productive and gradually phasing out the ones that are not, and then sharpening our everyday prices, both in-store and online.

Going forward, we will reallocate value from the promotions into everyday shelf prices across the store and online, and we expect this to strengthen our relationship with our customers, which starts out with; first, more trips, then growing a larger share of our customers' basket, and then, over time, growing new households to support our top line sales growth.

We recognize that customers need to see our value more simply, more clearly, more reliably. So, let me share an example. You can see here the complexity that we're addressing. This has a three-day sale. It has a mix and match. It has as an offer for a buy two, get three. Over time, we're deliberately changing this experience.

Our new store signage clearly close out our everyday prices. And for items on promotion, customers can now see the value, and the cost and the price that we're offering on promotion. And importantly, these messages are being delivered in an integrated way across the store, across the app, and the website, reinforcing this value message.

At the beginning, I said I was excited to be here, and here is the exciting part. Our improvements and our value proposition will be entirely self-funded through cost savings and fewer promotions. So, let me repeat that. Our improvements and our value proposition will be entirely self-funded through cost savings and fewer promotions.

We're simplifying the way we promote, and using those funds to improve our everyday value. And these will be combined with cost-saving benefits across a broad base that you'll hear more about today with improved sourcing, improved buying, reduced indirect spending, and scaling our Kroger Capability Center. All of these give us capacity for these investments.

In aggregate, we expect to be able to invest \$5 billion in value for our customers, which will be realized by 2029. Critically important, this work is already well underway, and I'm excited about the results and the proof points that we're already seeing. In refresh stores, we lowered prices on thousands of items and simplified promotions, both in-store and online.

Customers responded quickly. Visits and units moved almost immediately. Customers put more in the basket. And then for stores that had been on the strategy longer, customers started to build trust, and this builds a halo effect across the store. And the stores that had been on the investment for one year, in these stores, top line sales grew 230 basis points over the enterprise, and we're gaining dollar share and unit share.

This early engagement translates into more trips, top line sales, and gaining dollar share and unit share. And because of the results that we're seeing, we're already engaged in an active expansion plan to scale by 2029. Two things determine where we go next. First, we'll prioritize markets where we have scale and a strong banner position, growing a larger share of our grocery customer.

Second, we'll balance the cost-saving initiatives with the investments required for each market. This approach gives us flexibility. If our results are exceeding expectations, then we'll go faster. We control the pace, with clear evidence to go to the next geography that we can fund it. And making value visible allows us to elevate our merchandising in areas that differentiate Kroger, where we have a right to win, like Fresh, meals, and Our Brands, strengthening our competitive advantage in areas that go beyond value; Fresh, meals, and Our Brands.

Customers decide where to shop based on produce, meat, and seafood. Fresh is where the basket starts, and customers build the rest of their basket around these areas. Today, Fresh already makes up 37% of the basket. When we win in Fresh, we win more than just the Fresh department. Customers who trust us shop us more often, and this is why we're investing in quality standards, innovating in Fresh offerings and improving product quality, both in-store and online. And as we become America's favorite grocer, we also become the ready-meal destination.

Meals are an exciting opportunity for us as we better answer the question customers still ask every day, what's for dinner? We grow frequency and grow loyalty. It's a great opportunity for growth, and Kroger is creating exciting meals like never before at Kroger, for example, our ready-to-cook, which gives customers an option for an easy meal with significantly less work; and our ready-to-eat, making meals like sushi in entertaining trays much easier. We're already the largest sushi provider in the United States.

In total, we're introducing over 100 meals over the next year, and we're already in over 600 stores. The assortment may vary by store size or local preference, but the product looks great. The food is fresh, and the value is clear. And importantly, these innovations extend beyond grocery share. Every night that we win the weeknight dinner is a trip that would have gone to food away from home, which is a \$1.4 trillion market, and we see tremendous upside as we only have 4% share. By becoming America's ready meal destination and answering what's for dinner, we open up a whole new addressable market for Kroger.

And as we become America's ready meal destination, we expand Kroger's Our Brands. Our Brands is already one of our most valuable assets. Kroger Our Brands is a \$40 billion margin accretive business. Our portfolio reaches across all segments of the American consumer. We're focused on meeting everyone's needs from the premium customer to the value seeking, capitalizing on our private label architecture. But customers don't shop an architecture, they buy items. So we deliver the right product at the right price, item by item.

And our portfolio is enabled by our network of 35 manufacturing plants across the United States, and this differentiated network gives us greater control over quality, speed to shelf on important items and visibility into cost, because we know where the customer is going, we're responding quickly, and we're growing our margin-accretive Our Brands from 35% to 40%. Private Selection at the premium end is delivering strong momentum, and we see significant runway ahead as we continue to invest in areas like our Private Selection global flavors. We expect this brand to grow more than 15% annually through 2029. We fully expect Private Selection to be an over \$5 billion brand over the next three years.

And then Simple Truth. Simple Truth, already the largest natural and organic brand in the United States. We're leaning on in a continued growth for natural and organics. This brand already reaches 30 million households. Building off that strong foundation, we're committed to investing in areas like nutrient-rich protein products where we continue to see customer demand.

And then Smart Way. Smart Way sits at the other end of the spectrum, and we're significantly expanding Smart Way over the next three years as this compelling price point allows us to build more of the basket with the budget-conscious consumer. We have plenty of room to grow here, so we'll be introducing 1,000 items over the next three years, eight times what we have today. So whether a customer is looking for something premium, something to meet their health and wellness goals or a compelling value offer, Kroger has an Our Brands exclusive to Kroger.

And our innovation in meals and Fresh and Our Brands comes to life in our new refreshed store format. We're scaling our Fresh store format across approximately 110 new stores by 2029, alongside remodels. And our three

formats are designed to meet the needs of each market. The 99,000 square foot is built for high volume, high opportunity markets. The 75,000 square foot serves a broad range of markets, and our smaller 50,000 square foot allows us to grow where a smaller footprint makes sense. So the size may vary, but the customer promise is the same, a food-first experience, built on data-driven items, convenience however customers choose to shop with us.

And because of our data and because we know where the customer is going, we're expanding space in areas that are growing and that differentiate Kroger, Fresh, meals, and Our Brands. And then, in contrast, we're reducing space in areas where customers tell us choice does not create value such as general merchandise and apparel. Importantly, these stores are designed for growth both in store and eCommerce. As we know, eCommerce will only continue to grow. So it has a redesigned eCommerce backroom and more capacity for pickup, so we can serve these customers more reliably.

These formats are also designed to benefit our associates and our customers with the connected store AI technology that allows our associates to spend more time on execution, sales, and serving our customers. The result is a flexible food-first format designed to improve productivity, increase economics, and deliver a differentiated experience for Kroger. And here's what the store that will make us America's Favorite Grocer looks like.

[Video Presentation] (00:43:59-00:44:45)

So what you just saw is a redesigned store for a food-first experience, with expanded capacity in areas that customers are growing like meals and eCommerce. It's designed to improve the customer experience, the associate experience, and a stronger model for growth.

And now turning to loyalty. We're starting from a position of strength with loyalty. Our free loyalty program reaches more than 65 million households. It's the largest loyalty program in American grocery. It's why we know approximately 95% of our households that shop with us. And we're enhancing this program around how our customers shop today.

Our loyalty program was built around fuel and coupons, and those remain important to customers. At the same time today, customers are looking for more choices and a more connected experience. With our new Flex Rewards, customers can choose whether to redeem points on fuel or on grocery. We also have a new Kroger Credit Card that extends the relationship beyond the trips that a customer makes with us today. Customers can earn value on everyday spending and redeem the rewards at Kroger.

Kroger Credit Card holders spend and visit two times more often. And on top of this sits our delivery membership for our most engaged and loyal households, and this membership has one job to get more of our 65 million households shopping with us every day. Together, we expect this enhanced program to grow our loyalty membership.

We have a strong plan to win with the customer. By giving more customers more reasons to shop with us and growing more households, we will deliver approximately 3% comparable sales, excluding fuel and pharmacy on an annual basis by 2029. As we win with the customer, we are building America's Favorite Grocer. And now we'll take a short break, and when we come back, Nate Faust will talk you through how we're driving profitable eCommerce growth. Thank you.

[Break] (00:47:36-01:01:01)

Nate Faust

Chief eCommerce Officer & Executive Vice President, The Kroger Co.

Hi, there. Good morning, everyone. I'm Nate Faust, and I lead our eCommerce and Retail Media business. I'm excited to talk with you today about unlocking our next era of customer-led growth online. We have an immense opportunity in front of us to become America's Favorite Digital Grocer. That's a big part of what brought me to Kroger. We already have an \$18 billion eCommerce business, a strong understanding of our customers, a footprint close to them, and unmatched data.

When I look at the assets today, I believe our eCommerce business will grow to 30% of Kroger's business in the long-term. To do that, we need to be three things for our customers fresh, fast, and personal. We will win in fresh online. Our best-in-class fresh offerings bring customers to our stores, and whether customers shop in our stores or have their groceries delivered to their door, it is critical they get the same great fresh experience, because whoever wins in fresh will win more customers over the long run.

We will continue to get faster. Customer expectations on speed of delivery continue to increase every year, every month, every day. We already have the most important asset to deliver with speed, and that is our 2,700 stores. As we grow, we will add automation in our stores to fulfill orders faster, lower costs, and improve capital efficiency. And if we need more capacity to support our growth, we will add more stores, getting us even closer to our customers, enabling us to deliver even faster. And we will provide even more personalized experiences.

I've spent my career in eCommerce, and I know that businesses focused on a specific category build a much deeper relationship with their customers. We're focused on food. We understand what our customers buy, how often they buy it, and when they want it delivered. We will use AI to form even deeper, more personal relationships with our customers. Beyond the what and when, we will understand the why, whether that'd be feeding your family or leading a healthier lifestyle. I've only been here for six weeks now, but the future I see for Kroger and the future I see for our digital experience is a bright one, an experience that's fresh, fast and deeply personal, whether online or in our stores. Everything we do today builds the foundation for this exciting future.

As Greg said, we are not starting from scratch. We have a significant, profitable eCommerce and Retail Media business already. We have 65 million first-party data households. They already shop our stores and know our food. Our 2,700 stores put inventory close to our customers. Our loyalty data helps us understand what they need and makes our Retail Media business more valuable to advertisers. We plan to better use those assets by putting the customer first. We will make shopping with Kroger easier, faster, and more reliable every time.

We start with the customer experience. We will improve it. A simpler, faster, more personal experience earns more customers and more orders. Those relationships deepen our understanding of what customers need and create more opportunities for brands to reach them with relevant products. That generates high margin Retail Media revenue, which help funds the next improvements in the customer experience. This is why first-party growth matters. It's where we can connect the experience, the relationship, and the data to unlock customer-led growth.

We have a significant opportunity to earn more trips and more of the basket from customers who already shop with us. Today, only one in seven of our Kroger store customers shop online with us. Many of these customers are already shopping for their groceries online, just not with Kroger. I see huge potential to capture more of the spend that's currently with others on to our platform. Winning a greater share of our existing customers' online baskets is an easier, faster, and more efficient way to grow than acquiring new customers. To capture this near-term opportunity, we'll improve every element of the online experience to help us meet our customers wherever they shop.

I will turn to the path forward. First, as Mary Ellen discussed earlier, we start with value. That means better everyday value, simpler promotions, and stronger store level execution. She also discussed how we'll differentiate with Fresh and meals. Winning in value Fresh and meals will give those shopping online more reasons to choose Kroger. We have three priorities specific to eCommerce. First, we will improve our customers' online experience so they can easily sign up, shop, and check out time after time. We will increase speed. Even as we grow, we will fulfill and deliver orders faster to our customers. And we will leverage AI. We will use it to make shopping simpler and more personal. We will help customers find what they need and build a basket with less effort.

I frequently spend time listening to live customer service calls alongside one of our customer service agents. That keeps me directly connected to our customers and the pain points they are feeling. A better customer experience starts with talent. We're organizing small, cross-functional teams around each step in the customer journey. Teams will understand where customers encounter friction and use customer feedback and performance measures to continuously improve the customer experience. For example, today only about 40% of our customers who begin signing up to shop with Kroger online actually complete the process. I recently timed that sign-up process at one of our banners, and it took me close to four minutes. These customers are already coming to us. We will make it easier for them. We will also drive Boost membership. We will make it easier for Kroger shoppers to become members, and we will give Boost members more reasons to shop more frequently and order more. Our improvements will extend across the customer journey, from finding products and building a basket to checking out and receiving an order.

We are committed to fulfilling more orders faster and at a lower cost to serve. We are adding capacity where demand is constrained and expanding available pickup slots. We make delivery easier a priority because we know that when delivery is faster, customers order more frequently, and they have larger baskets. We are also exploring automated picking solutions in our stores that can help us fulfill those orders faster and at a lower cost. We're also looking at ways to expand our express delivery options through capital-efficient models, and we're already making progress. In the second quarter, 60% of our store-based delivery orders were delivered in under two hours, including 23% in under one hour. Express delivery grew by more than 50% in the quarter. Our 2,700-store network is central to our goals of delivering with the speed customers want and improving our eCommerce economics as we grow.

We're also leaning into artificial intelligence as it reshapes the way customer shop. Our Kroger shopping assistant requires less effort from customers and provides more completed orders and more reasons to come back. It is now available across 100% of our banners. For example, it can help a family plan dinner based on their preferences, dietary needs and budget. We already know what they like, what they bought, and what they need. We help them get it on the table quickly. And early results are encouraging. Repeat users of our Kroger shopping assistant are spending 11% more, driven by more frequent trips.

Right now, we are focused on removing the friction to getting customers into Kroger's app to use the assistant. We will continue to utilize AI to meet our customers wherever they choose to shop. We're excited about what technology will deliver in the future in terms of better customer experience for our customers, but simultaneously while driving profitable growth for Kroger. As we bring more of our customers online, increase the density of orders across our store network, and use technology to fulfill them more efficiently, we expect an additional \$500 million of eCommerce EBITDA by 2029, which does not include Media.

Now let me turn to Retail Media. Kroger Precision Marketing, our Retail Media business, already has scale and a track record of high margin growth. We have an opportunity to build on our success by connecting our customer relationships to drive better outcomes for brands. As we grow first-party customer relationships, we also grow our

Retail Media business. We start with a better customer experience that brings more customers directly to Kroger to shop. As those first-party relationships strengthen, the data that powers our Retail Media business becomes more valuable to brands.

Our specific rich data creates a real competitive advantage. We know our customers. Approximately 95% of our sales are tied to identified loyalty shoppers. That means we have an exceptionally complete picture of a broad range of buyer behaviors, online and in stores. We understand different shopping preferences, and that's incredibly valuable to brands because we can reach customers with products and messages we know are relevant and useful.

For example, we help brands identify and reach verified lapsed buyers with relevant advertising. Other platforms often rely on lookalike audiences to approximate those customers. We use our data. We then measure what happens next. We can see whether those customers return to the brand and make a purchase. We help brands understand results and get a better return on their future spending.

Our data together with 84.51°, provides insights and helps translate that data into actions for brands. Our differentiated data helps brands reach relevant shoppers and understand the purchases their advertising drives and make decisions to grow their business. Our advertisers rank us first for accurate and transparent reporting and second for audience targeting and data sharing. We have three priorities to drive growth in our Retail Media business.

First, grow first-party eCommerce. More customer shopping directly with us creates more valuable media inventory. Second, broaden our brand reach. We will deepen our relationships with existing advertisers and bring more brands on to the platform. We will expand our commercial reach by growing our sales team. We will enhance our collaboration with merchandising to help brands build plans that connect assortment, promotional calendars, and advertising.

And third, we will leverage the connected store. We will bring more relevant, personalized media experiences to customers wherever they shop. We will expand in-store media, creating more media inventory where customers are already shopping. And looking ahead, we see even greater potential in the connected store through advertising on customers' phones. This will make shopping more relevant and easier and create new opportunities for brands to engage with customers.

We have a compelling opportunity to unlock our next era of profitable digital growth. As we grow our eCommerce and Retail Media businesses in the years ahead, we will make decisions through a customer-first lens. We are working towards a future that's fresh, fast, and personal, wherever and however our customers choose to shop. Bringing that vision to life will require changes in how we operate both in our stores and across the business, which Mark will cover in his presentation.

Thank you for your time today. I'll now turn it over to David and Mark, who will talk about how we are modernizing our operations.

David Kennerley

Executive Vice President & Chief Financial Officer, The Kroger Co.

Good morning. You've just heard from Nate and Mary Ellen about how we'll grow by creating more value for our customers, both in-store and online. Now, Mark and I are going to talk about how we're going to remove costs and complexity, run with precision, and free up capacity to invest back into the customer experience. We're modernizing our operations with technology and AI at the core to deliver on that experience. I'll first walk you

through the structural savings we're unlocking to fund investments across the business, and then Mark will show you how we'll elevate our execution every day. Upgrades in technology and AI will enable both of these.

Let me start with how we will fund the journey. We have four main sources of funding, which will allow us to drive cost savings well ahead of historic levels, source more directly, buy smarter in cost of goods, reduce indirect spending, and scale the Kroger Capability Center. Together, we expect these actions to deliver approximately \$4 billion of annualized structural cost savings by 2029. That is what gives us capacity to invest in customer value and growth while supporting the financial framework that I will cover later on.

Now let's take each in turn. The two biggest sources of value sit inside cost of goods and together represent approximately \$2 billion of cost takeout. These cost savings are critical because they allow us to protect gross margin while making the necessary investments.

Let's start with direct sourcing. Today, less than 1% of our sourcing is direct. What do I mean by that? Through direct sourcing, we buy closer to the producer rather than paying an intermediary to sit between Kroger and the source. That gives us more control over the economics and a clearer view of what we are paying for. Our goal is to increase that figure to above 10%, and to do that, we're building the people, payments, logistics, tax, and sourcing capabilities to get closer to producers and take layers out of the chain.

We're making good progress launching South America and Asia hubs, with spokes in key sourcing locations to facilitate better sourcing, with the goal of a fully owned import distribution model over time. This is not a new playbook. It's common across retail. It's just new for Kroger. Take grapes, for example. We're working with one of the largest grape growers in the world in Peru. For the November 2026 season, we've secured about 40% of our imported grape volume directly from Peruvian growers, supported by service partners.

Previously, we would have paid margin to a third-party to sit between us and the grower. And by doing this ourselves, we use Kroger's scale to get closer to the grower, which lowers costs, strengthens access to supply, and gives us a more direct line to innovation. We're also advancing the work to source directly across all categories where we can, starting with citrus, shrimp, and frozen vegetables. Our first international hire is in place in South America, and we're building the infrastructure to expand from there into Asia in 2027.

The other lever is buying smarter. Better data gives our buyers a clearer understanding of volume, demand, performance, and alternatives they can use in conversations with suppliers. We bring the full scale of Kroger, including our own manufacturing capabilities to the negotiation, so that we can deliver the largest takeout in COGS in Kroger's history. We will work closely with all of our suppliers to ensure prices remain low for our customers.

We will not take cost increases unless they are fully justified and we are clear that every brand, regardless of size, needs to earn its place on the shelf and in the customer's basket. We're making good progress against these areas. The focus now is on scaling what is working and embedding these disciplines more broadly into the way we source.

The next source of funding is indirect spending. The opportunity here starts with doing the basics exceptionally well and doing them consistently. We started this work last year, benchmarking how we compared with those companies that are industry leaders in this space. What that work told us was that if we wanted to drive greater value and create an enduring source of funding for Kroger, we needed to make changes in three areas.

First, upgrading and increasing talent and resources. We need the right people with the right skills so that sourcing, finance, and the business are working from the same baseline and focused on the right priorities. We doubled our investment into this team, strengthening our capabilities to manage spending across the enterprise. Proving the technology and leveraging AI to get greater visibility into what we spend and what drives the spending decision, and we've invested in best-of-breed tools to do that. And finally, rethinking our processes and governance, because without a strong foundation there, we would not capture the full value that we have in front of us, in the P&L or in our cash flow.

We started building these capabilities last year, and we're already seeing proof that they work. The next step is scaling that discipline across the enterprise year in and year out. So let me give you one example. I'm going to take shopping carts. We were buying 20 different cart configurations across the company, and working with our operating teams, we took that down to 3 and consolidated our suppliers. Costs came down, our banners got more consistent, repairs got simpler, and we can now move carts between divisions when we need them.

Now, shopping carts alone will not fund this plan, but we have thousands of decisions just like that one, and that's the point. This is about buying exceptionally well thousands of times over. We've got a roadmap for the next three years with clear focus areas that will drive significant value for Kroger. The early outcomes we're seeing are very encouraging, and in 2026, we're going to drive more savings in this space than ever before.

The fourth is the Kroger Capability Center. It enables us to drive scale and efficiency across all the work we do above the store today. We're opening a new office in Bengaluru, India. This office will house both Kroger and third-party associates, working seamlessly together. By moving the work, we get savings from the outset. We simplify and standardize the work, moving repeatable activity into a common service model with clear ownership and fewer hand-offs. That gives us even more efficiency as we optimize legacy processes through technology and modernization.

We reinvent the work leveraging AI and machine learning, starting with critical cross-functional processes that touch multiple areas of the business and today are largely operated independently. We've been working on this initiative now for several months, partnering with world-class external providers to support us. We've hired top tier talent to lead us through the transformation, and we've secured office space with our first India-based employees. Now, as we make these changes, we will need fewer roles over time, and we expect this model to impact roughly 3,000 associates who perform work above stores today.

Similar to direct sourcing, this is not a new playbook. It's just new for Kroger. So these are the main sources of savings funding our investments into the business. Before I hand it over to Mark, I want to leave you with one final message. This is not a plan on paper. All this work is under way, already generating savings from several of these areas. We're confident in our ability to take these costs out, to enable the investments back into the customer experience, and to grow our EBITDA margins over time.

Now I'll turn it over to Mark to walk you through how we will elevate our execution every day.

Mark Ibbotson

Executive Vice President & Chief Store Operations Officer, The Kroger Co.

Thanks, David. It's great to be with you all today. I've spent my whole career in retail operations, and the fundamentals have not changed, run great stores, serve customers well, and create value for our associates and shareholders. What is changing is the platform that enables us to do it better. The connected store is that platform. By bringing together simpler ways of working, better data and technology, it will help us improve the customer experience and service, liberate our associates to spend more time serving and selling, and deliver

stronger returns for our investors. This is how we will modernize Kroger, taking cost and complexity out of the system, reinvesting that capacity in value, service, and growth running the business with greater simplicity, consistency, and precision.

Starting with operating principles, we want a simple, repeatable, and sustainable way to run great stores. We'll remove unnecessary work, standardize the essentials, use technology to give associates more time to serve customers and sell, and we'll design every routine for the reality of a busy store. Everything starts with the customer. Every process should make shopping easier, improve quality and value, and give associates more time to help.

One best way turns those principles into the daily routines of the store. Standardizing the essential work gives teams clarity and consistency while keeping local judgment. Training for consistency ensures that roughly 95% of stores can run the work consistently, including the busiest days. The technology will do the tedious, and we will design out failure, giving our associates more time for higher value, more interesting work.

We are looking to drive outcomes the customer and associates actually feel in stock, fresh quality, service, associate time, sales, waste, productivity, and the cost to serve. Improving the store every day by challenging routine work and taking out low value steps, we will protect time on the shop floor, and we'll improve the standards as we learn. If we do that well, we'll narrow the gap between the best and the rest of the fleet, and of course, we'll keep raising the bar.

The journey begins with one best way. Co-work is standardized and designed for the typical store and associate. When we standardize, we can then digitize. This is where operations gets really exciting, and we get the full potential out of our stores. The platform is the connected store. We see a path using technology to place – we have in place to connect everybody and everything. Technology removes steps, guides the next action, verifies completion, and protects time on the shop floor. For example, reducing waste and shrink end-to-end, surface what needs attention now, an out of stock, a fresh quality issue, a late pickup, or a margin risk and get the right action to the right person. This isn't just good for efficiency and for customers. It's also good for store associates.

I was just in a store in Nashville. One of our most productive stores in the region and talking to a 30 year veteran. When I asked what he thought of the new technology, he said simply, I love it. The technology routes him straight to an out of stock instead of making him hunt for it, so he can focus on the problem areas quickly. He's found his day-to-day work simpler and easier, and he felt invested in. It's the same with pick-to-light for our associates. They're picking faster, more accurately, and we are seeing better engagement and productivity. Then measure whether the improvements hold. Customer outcomes, associate time, sales, and waste matter alongside the task completion. Clear work, clear owner, measurable outcomes.

The connected store is what happens when those routines and technology work as one system. We have a simple test for technology. It should give us more precision, return time to our associates, and make life better for our customers and earn an investment. When it does, we scale it. Robotics, RFID, and our digital shelf labels give us the signal. AI helps us prioritize what matters. Associates get clear actions. We have already installed more than 36 million digital shelf edge labels across 1,100 stores. And we expect digital shelf edge labels in more than 2,400 stores by 2029. That changes daily store work.

Price and promotions that used to take days can move in minutes. But it's more than that. It's an IoT platform that will simplify work and enhance the customer journey. That platform infrastructure helps eCommerce and Retail Media. With pick-to-light, the shelf directs an associate or a third-party shopper to the right item, improving pick accuracy by around 10%. Over time, shop-to-light can help customers find products more easily whilst creating

new opportunities for brands to engage customers closer to the point of purchase, extending the value of our Retail Media business into the store.

Robotics gives us another signal. We have around 900 robots live and we will have more than 2,100 by 2029. Currently, robotic work includes out of stocks, promotional display, price verification, top stock detection, and truck completion verification. We will add more uses from here. AI helps us make sense of all those signals, as models look for patterns and route the issue to the people who can correct it, we have built a specialized in-stock agent that brings data together across functions to help address the root cause of an out of stock issue. These signals give us increased fidelity in our operation, which is very valuable.

We have also chosen to share computer vision data with our supplier partners. That puts Kroger's and our suppliers on the same signal with the same objective: improve on-shelf availability and sell more product. There is a retail media opportunity in this too. When a customer is shopping our store with the Kroger app, if they opt in, the connected store can tell where they are in the store and what is on the shelf in front of them. A brand can reach that customer on their phone, in the aisle, in the moment they are making the decision.

But let's be clear, Kroger does not and will not raise prices based on the person. Put it together, you get better signals, faster decisions, and clearer action. The store gets more precise. Associates get more time for fresh availability and service. Customers navigate the store more easily, and brands get new ways to reach customers at the shelf, extending the retail media opportunity into the physical store.

Bakery has been a pilot showing what this looks like in one department. RFID is live in approximately 1,500 store bakeries. With approximately 98% read performance. We expect to reach over 2,300 stores by 2029 and complete the enterprise expansion. We have observed nearly 70% faster inventory counts and 50% lower waste, helped by earlier markdown and expiration decisions. And of course, there's a sales benefit. Better inventory confidence reduces phantom inventory, hastens the response to shelf-outs, and helps customers leave our stores with what they came in for, resulting in approximately 200 basis points of sales lift and nearly 50 basis points of share gains in the category.

That is a better store routine. Less counting, better information, lower waste, higher availability, and of course, more sales. The next job is to use trusted item-level data to improve replenishment, production markdowns, and fresh decisions across more of our fresh. A lot of waste is created before a product reaches the point where a store can mark it down. Assortment, space, shipments, and ordering matter upstream. Production markdowns and store controls matter downstream. Better decisions at each step mean less product becomes waste problem later on.

Across the broader waste reduction plan, we are targeting approximately \$500 million worth of savings by 2029. To do this, we're working every step from the buy to the shelf. RFID gives us a better item signal. AI combines with that sales, inventory, and sell-through data so teams can see the risk earlier and act. Our AI tool connects approximately 20 data pipelines and gives us visibility from enterprise level down to the store item level. It flags sell-through, no sales, out of stocks, over-delivery, and margin risk, then gets the insight to the merchant or the field team or the store so they can act. And each event should make the next decision better.

Post-event analysis improves the next buy, the next allocation, and the next execution decision. Better signals lead to better actions, and those actions improve the data we use the next time. Waste is a signal we can act on at every step from the buy to the shelf. The connected store gives us the signal. AI tells us where to act, and our teams take action. That is how we will get approximately \$500 million worth of savings by 2029. And it is that capacity we put straight back into value and growth.

Before we take a break and David walks you through our financial plan, I want to say how much I look forward to showing you this work in action at one of our connected stores in the future. Let's take a break. Thank you very much.

[Break] (01:37:10-01:51:15)

David Kennerley

Executive Vice President & Chief Financial Officer, The Kroger Co.

Thank you, everyone. What you've heard this morning is a clear plan, clear proof points for how Kroger becomes America's favorite grocer. My job now is to show you how that plan comes together financially, the framework for fiscal 2027 through 2029, and what it means for value creation over the long-term.

Let's start with the framework itself. As Greg outlined, we have a strong position as a core grocery business with a plan to grow with more focus, more discipline and more urgency. Mary Ellen walked you through how we will make value easier to see and give more households more reasons to choose Kroger. Nate shared how we will drive profitable digital growth, and Mark and I spoke to our plan to fund our investments, execute better, and operate more efficiently.

Together, these plans accelerate both our sales growth and our profit growth. We build the foundation in 2026. We improve in 2027 as we extend our value investments, and the framework steps up from there. Over the 2027 to 2029 time horizon, we will deliver approximately 3% comparable sales growth in 2029, excluding fuel and pharmacy, with growth improving over time. 3% to 6% adjusted EBITDA CAGR from 2027 through 2029. And adjusted net earnings per share growth at a three-year compound annual growth rate of 7% to 11% from 2027 through 2029.

I'd like to call three things out. First, the new framework uses comparable sales, excluding fuel and pharmacy, to reflect our focus on the top line performance of our core grocery business. Using a comparable sales measure excluding both fuel and pharmacy will provide a clearer view of the core business, which will now include growth resulting from relocations and major store remodels in line with our peers. Historically, comparable sales have run approximately 20 basis points higher than identical sales on a year-over-year basis.

Excluding fuel and pharmacy from this sales measure does not change their role in Kroger. They remain important contributors to our customers and our financial model. However, as we've seen this year, the impact on our identical sales numbers from the volatility in pharmacy has been significant, and we believe this is a more transparent and clearer way to report our top line going forward. We'll implement this change beginning in fiscal 2027. We'll provide guidance on comparable sales growth excluding fuel and pharmacy when we report our fourth quarter 2026 results. And we'll also give you the historical reconciliations so you have what you need to update your models.

Second, we're moving to adjusted EBITDA from adjusted FIFO net operating profit, which focuses on stronger core growth and better aligns with how we think about delivering value creation moving forward. Third, our adjusted net earnings per share algorithm of 7% to 11% is a step up from our prior long-term target. Our prior 8% to 11% was a total shareholder return algorithm that included our dividend yield. While our new 7% to 11% is adjusted net earnings per share growth alone, before the dividend. This is a higher ambition, reflecting higher profit expectations and stronger growth from our core grocery business. We think it's the right framework for Kroger, and it's one we're confident we can deliver against.

Now let's get into the plan, starting with sales growth. Our growth goal is straightforward. More customers choosing Kroger more often in stores and online. And that growth comes from two places: winning with the customer and driving profitable digital growth. And our outlook assumes both contribute. Winning with the customer starts with value. Our \$5 billion investment in customer value is the largest single driver in this plan, and it is entirely self-funded.

Better item level merchandising, winning with meal solutions, and increasing our brands' penetration to 40% improve both the customer experience and the economics of the basket. Our loyalty program then deepens those relationships across our 65 million existing households. Helping us serve customers more personally and earn a greater share of their spend.

Turning to driving profitable digital growth. As Nate described, a better, faster online experience invites more households online, earns more orders from the customers we already have, and does it through the stores we already operate. Both areas leverage the same asset base, which is why they compound rather than compete for capital. As Mary Ellen outlined, winning with the customer is built around four priorities that we expect to strengthen the customer proposition and support sustainable sales growth.

We will make value easier to understand by both lowering everyday prices across the store and simplifying promotions. We'll elevate our merchandising standards and grow our brands by becoming better item-level merchants and putting more emphasis behind fresh and meals where we already have a strong customer proposition. We will build more stores and refresh our formats around food with additional capacity in areas where demand is growing fastest, including meals and eCommerce fulfillment. And finally, we will strengthen loyalty by giving our 65 million households more ways to earn and redeem rewards and more reasons to shop with Kroger more often.

As Greg said, we grow by giving customers more reasons to choose Kroger and make Kroger a more regular destination. Together, that means more items in the basket, more visits and more households. And beyond our existing customers, we also see meaningful opportunity to win share from competitors, starting with where the market is fragmented today. Better everyday value helps our customers buy more of their basket with us, not just the items that are included in a deep promotional offer. Freshened meals give them a reason to come back for another occasion. A reliable online experience makes it easier to shop with Kroger more often and will help attract new households over time.

As Mary Ellen outlined, our early results provide encouraging proof points that more visible value drives faster top line growth. In the early stages, we are seeing more units and more customer visits. Now let me give you some color on how this builds over the next three years. Next year, we will make customer value investments in approximately 450 additional stores, up from the roughly 250 that will be in place as we exit this year.

In the first 12 months, we expect those markets to drive unit uplift as well as unit share gains but not enough to fully offset the new lower everyday prices and the gradual reduction in promotional investment. This creates modest near-term pressure on our reported top line in those markets. As we begin to cycle the first year of these investments, we see the early gains in units, unit share and visits, translate into strong comparable sales growth, sustained unit share growth and, importantly, dollar market share gains.

As we cycle investments, we will invest incrementally in further divisions. Now given the phased rollout of these investments, we expect comparable sales and EBITDA to build steadily over the three-year period, all while improving unit performance and dollar share over the same time horizon.

Now let's talk about how we'll execute and create the capacity to fund that top line growth, expand margins and improve returns. We'll take out approximately \$4 billion of cost across the business. But to be clear, this is not only a cost reduction move. It is how we modernize the operating model. We spend less where the customer does not see value, so we can invest more where they do.

As I outlined earlier, the key contributors to the cost savings are as follows: we'll source more directly from growers and manufacturers. We will remove intermediary costs and unnecessary steps while improving margins, quality and supply visibility. We'll buy smarter in COGS. We'll take a more coordinated approach with suppliers, use better cost information, leverage our own models and manufacturing expertise, and expand our brands' assortment in categories that deliver better value.

We'll reduce indirect spending. We'll consolidate assortment, leverage our scale, and apply stronger sourcing discipline to the goods and services required to run Kroger. And we will scale the Kroger Capability Center and be intentional about where and how work gets performed, simplifying and reinventing processes through AI and automation to perform the work that needs to happen above a store more efficiently. And as I said earlier, this is not a plan on paper. The work is underway and we're already delivering savings ahead of plan through the first half of this year.

We'll make a \$5 billion investment in customer value using an entirely self-funded model. We'll improve our value position market by market in lockstep with the cost savings and productivity work that funds it. Importantly, we will pace this rollout. As we take cost out of the business, we reinvest in customer value. If costs come out faster or we see stronger results from our investments, we may choose to accelerate.

If the opposite is true, we'll slow the pace to protect our margins. The pace is in our control and we're committed to managing it in a disciplined way. We have two clear sources of funding for the plan: the cost savings I outlined earlier and optimizing our promotional investment. We will reduce the number of promotions overall, focusing on our most complex and least effective promotions. We're making these changes gradually, market by market, matching the pace to available funding and the results we see.

Now to be clear, we are not eliminating promotions. Customers value them. Instead, we will steadily reduce reliance on the lower return and overly complex promotions and replace them with more relevant value that delivers better results. That discipline is what lets us improve the value customers see while protecting and growing the long-term earnings power of the business. We are not trading margin for sales. We are funding one with the other.

We're watching the margins within our customer value plan very closely, along with the number and type of promotions we run. We remain confident in our plans to balance these investments while growing our margins over time. Our earnings will grow faster than our sales. We expect adjusted EBITDA to compound at a 3% to 6% rate from 2027 through 2029, driven by a diverse set of initiatives.

Over the three-year period, we expect adjusted EBITDA to build steadily, with growth in 2027 below the three-year average and accelerating thereafter, broadly in line with the build in our comparable sales. You've heard about these profit drivers today. First, sales growth. Mary Ellen outlined how better everyday prices, simpler promotions, fresher meals and more consistent execution help us earn more of our customers' food spend. As customers put more items in the basket and shop with us more often, we improve the productivity of the stores and capabilities we already have and our profitability.

Second is eCommerce. Nate discussed our plan for more first-party customers and more orders from those customers that will drive more profitable growth. This is about growing overall eCommerce sales and improving profitability by scaling the business, improving customer density, and leveraging technology to drive productivity.

For Kroger Precision Marketing, our Retail Media business, better and more placements, more participating brands and new categories, and leveraging the connected store will improve monetization. Our focus on our brands will help us offer compelling value while improving the economics of the basket.

Margins on our brands run roughly 600 to 800 basis points higher than comparable national brands, so growing their share lifts our profitability. We expect our investments in new stores, relocations and expansions to drive strong profitability and margin accretion.

On cost out, the structural savings I outlined, buying smarter, sourcing more directly, reducing indirect spend and simplifying how we work, will lower our cost base, and we expect to flow through a portion of our cost savings to support margin expansion over time. And finally, shrink and waste. More accurate inventory, better replenishment, fresh execution, and the connected store tools will all improve store economics.

Now let's change our focus and talk about capital allocation. Our capital allocation strategy remains balanced and focused on improving ROIC and maximizing shareholder value. Our first priority is to invest back into the company in high-return projects that strengthen the business over the long-term. We expect investments to earn returns above our weighted cost of capital.

Second, we will maintain our financial strength and remain committed to our investment-grade credit rating. We believe a strong balance sheet is important as it gives us options to invest in growth opportunities while preserving a strong financial foundation. And third, we will return excess cash by increasing our dividend over time, subject to board approval, and through continued share repurchases, together targeting a shareholder yield of 5% to 6%.

Given the opportunities we see ahead of us, we expect CapEx to step up to approximately \$5 billion in 2029. We expect to step up our spend in 2027, with further increases in 2028 and 2029. Every dollar of that increase is underwritten for a strong return, and that discipline guides every decision. We're allocating with a clear bias towards organic growth across three high-return areas: new stores, e-commerce and media, and our supply chain.

New stores are the largest source of the increase, with approximately 110 new stores expected to be built by 2029. They will expand our ability to serve customers, bring the food first offer you've seen today closer to more households, grow eCommerce and build additional capacity support – to support our business over time. In eCommerce, the investment is in in-store capacity for fulfilment, which will help us accelerate sales and serve more orders reliably while improving delivery economics.

In Media, part of the capital investment is in in-store digital signage and technology and commercial capabilities that help us grow a business with attractive margins. Supply chain investment, including automation, puts capacity in place to support new stores and e-commerce demand, as well as driving high-return productivity. For example, we're building an automated site in Franklin, Kentucky, supporting our Nashville and Louisville divisions, which we expect to complete in 2028.

Now let me walk you through the principles that guide our disciplined investment in new stores. We will prioritize investment in high-growth markets where we see the strongest opportunities to gain share. Within those markets,

adding local density helps us serve more customers and strengthen our market position. That gives us a clear focus for where we put the next dollar of store investment.

We will deploy capital selectively, moving forward only with banners and stores where the customer opportunity and expected financial returns support the investment. As Mary Ellen discussed, we will align the format with the customer and geographic needs. And I want to emphasize, ROIC applies to our store pipeline just as it does to the rest of the business. New stores also accelerate our eCommerce capabilities. By building the right fulfillment capacity into these locations from the start, we can serve more pickup and delivery orders reliably and support more efficient store-based fulfillment as eCommerce grows.

Over the next three years, we plan to generate approximately \$7 billion in annualized incremental sales at maturity through approximately 110 new stores. That represents a meaningful contribution to growth, supported by attractive store-level economics. And at the store level, we expect 4-wall EBITDA margins of 6% to 7% at maturity.

Earnings contribution builds as each location establishes its customer base, and we reflect that timing in how we evaluate the investment. Our objective is straightforward: generate attractive returns on the capital we invest to bring our customer proposition to more households and build share in the markets we prioritize.

That same capital discipline applies to M&A. Any transaction must be customer-focused, complement our existing business and deliver strong returns that increase shareholder value and preserve financial flexibility.

Turning to our planned acquisition of Giant Eagle, which is on track to close in 2027, subject to regulatory approval, this acquisition reflects those priorities. It provides a clear opportunity to expand our customer base, eCommerce reach, and Media business while growing earnings and preserving flexibility for organic investment and shareholder returns. As previously stated, we expect the transaction to be accretive to adjusted net earnings per diluted share in the second full year after close, excluding one-time transaction and integration costs.

Looking ahead, the building blocks of our financial model are to drive sales growth by offering value that's easier for the customer to see and a great customer experience. To increase our earnings through a self-funded plan to grow the top line while enhancing efficiency across the business. And to make high-return investments that improve our growth and margins. These drivers are within our control and the work is already underway.

Underlying our financial framework is a disciplined approach to capital allocation, which includes growing our dividend, share repurchases, and investment in new stores, eCommerce, and our supply chain.

So let me leave you with this. Kroger is already a high-quality, cash-generative company. The plan we've shared today makes it a higher-quality, faster-growing, and more cash-generative one. And we've got a clear plan to get there.

So now let me turn it back to Greg to provide some closing remarks.

Gregory S. Foran

Chief Executive Officer & Director, The Kroger Co.

Thanks, David. At Kroger, we have a clear ambition to build America's favorite grocer. And we're going to do that by giving customers value, a great assortment centered on high-quality food, affordable prices, and a fast, friendly shopping experience that's simple, personalized and convenient. Doing these things consistently earns bigger baskets and more trips. And when we earn those, we generate increased shareholder value.

We've shared with you that we've got a strategy built on three imperatives: win with the customer, drive profitable digital growth and modernize how we operate. And what you've seen and heard today is that we're clear on how we're going to get there and importantly that the work has already begun. We'll hold ourselves to account just as you will hold us to account. But you know, as important as the numbers are to me, there are two things that really let me know when a strategy is working.

The first is the pride and accomplishment I see in our associates when they have a real sense of purpose. They're energized. You can tell that they feel that they're part of something. It's written all over their face. They're eager to help a customer. I saw this firsthand the other day when I turned up in one of our stores in Indiana unannounced as I do. And for anyone who knows me, they'll know that generally my first stop is the fresh department.

So in this store, I was met by the department managers and they were excited to see me. They confidently walked me through their departments and the fresh impression was first-rate. We were in stock almost perfectly. Meat and deli right through to bakery. There was a real feeling of abundance. Our price points were clear and the numbers showed me just how good the care was that they were putting in.

Sales in this division were very exceptional. Seafood was actually up over 80%. They were well over 50% more in rotisserie chickens. They were top-ranked for in-stock in meat and bakery and they were having some incredible sales of our \$3 a dozen cookies. We were on our game and those associates were undeniably proud of what they were accomplishing. So I'd say to you that more than any associate engagement survey that we might run, when I start turning up unannounced in stores and seeing that on a consistent basis, I know from experience that we're starting to get it right.

The other thing that gives me great satisfaction is seeing customers who are equally delighted. Maybe they've come in looking for a particular item, one that they love or they need. They find it and it's perfect. It could be a quick visit in to get a birthday cake that they ordered online. We had it ready and we had it waiting right there for them. Or it could be Sunday afternoon and they're in there getting what they need for the kids' school lunches and they find everything as required.

These moments are possible because of the hard work that everyone is doing and will continue to do. Behind each one I can tell you that there is a decisiveness, a prioritization, and the discipline to operate with precision. And that there are literally hundreds of thousands of our Kroger team dedicated to this day in and day out. So as you leave today, I hope you take away the urgency, the focus, and the conviction behind our plan. And that's why we're confident.

You see, we have the assets and the capabilities to win. We do see a large identifiable market opportunity and we've set a bold set of financial targets and a clear path to deliver against those. The balance from here is simple. Less time talking about the plan and more time delivering it. Now we execute. Thank you.

Rob Quast

Vice President-Investor Relations, The Kroger Co.

Thank you, Greg, and thank you for the entire leadership team for their presentations today. In just a moment, we'd now like to open the floor for questions. After the stage is set, I'll invite all of our presenters up to join on stage as we prepare for Q&A. As they come up, I'd like to briefly touch on how we will be handling today's Q&A. Kroger team members will be walking around the room with microphones to take your questions. Please raise your hand if you would like to ask a question. For anyone asking a question, please say your name and the firm you're with beforehand. We ask that you please limit yourself to one question. We will begin in just one moment.

QUESTION AND ANSWER SECTION

Rob Quast

Vice President-Investor Relations, The Kroger Co.

Great. Now that everyone is settled, let's go ahead and get started.

A

Robert F. Ohmes

Analyst, BofA Securities, Inc.

Oh, hi. Robbie Ohmes, BofA Securities. This might be for the broader team. I know you're not giving, I guess, overall guidance on 2027, but maybe some thoughts on the shape of 2027, things that we should think about from the impacts of some of the things that you told us about today. Like, for example, how should we think about the shift to fewer promos and is that sort of expected to have a negative impact initially on traffic and then there's a build, sort of maybe walking us through the shape related to that?

Q

And then also, is there – I love that we're doing comps excluding pharmacy, but maybe – also maybe weave in your thoughts on what pharmacy will do as a comp contributor, as maybe a traffic driver and things like that to give us some sense of how you're thinking about shape, pharmacy, less promos, et cetera?

Gregory S. Foran

Chief Executive Officer & Director, The Kroger Co.

I'll say a few things and then, David, you jump in. We're very measured about what we're doing here and we've got good data and so you should take away from the fact that when we say we've worked out that we can fund this thing and achieve what we need to and we will be very thoughtful about how we do the pricing that's exactly how we're thinking about it. So we're going to be measured. We'll pace it as we see it and the numbers that we've shared with you are the exit, not the entry. How that plays out, we've reaffirmed what we want to do for the rest of this year. And we've given you a sense of where we expect to be in 2029, all things considered. And then we'll be very measured and thoughtful and peaceful as we work through the rest of it. We know what promotions work, what promotions don't work. We're quite thoughtful about how we're doing that now. We're testing a lot of things. I won't go into all the details of that but it's a very thoughtful approach to what we're doing.

A

David Kennerley

Executive Vice President & Chief Financial Officer, The Kroger Co.

So as you'd probably expect me to say, we're not guiding on 2027 at this stage. We'll do that when we do Q4 earnings. But I think the shape, on the top line, next year is about improving from where we're at today. So I mean, I think that's the first thing. And as Greg said, we get to that roughly 3% in 2029. So it's about an improving top line over that time horizon. And our EBITDA trajectory follows that same trajectory. And as I said in the comments earlier, we expect EBITDA to be below the range in 2027, but again, building over time. So that's the shape.

A

I think a couple of things – couple of other things you talked about just on how do promos impact. The first thing that happens as we do this, and then maybe Mary Ellen can build on this, is units respond almost immediately. And immediately or very quickly, we start to see us winning unit share. And I think honestly, that's a really, really encouraging sign. And in the stores where we've been running this, when you get to that 12-month period, what we're seeing is a couple of things happen. So we continue to grow units, we continue to gain unit share, but the sales are running about 240 basis points ahead of the rest of the enterprise. And that's just 12 months in.

So I mean, I think the compounding impact of that, what we call the halo effect, obviously isn't even at full speed at that point. And what we're seeing in those markets is we're also winning dollar share. So I think there's some really, really encouraging signs on the promo side there. So I don't know, Mary Ellen, whether you want to add anything.

Mary Ellen Adcock

Executive Vice President, Chief Merchant & Marketing Officer, The Kroger Co.

A

I think that that's the important thing, is one of the reasons we feel confident in our strategy for growth is, a, that we're seeing the customers respond where we're doing this, and we're using our data for the promotions so that we're listening to the customer, investing from the promotions that we simplify into lower everyday prices. And the most important thing is that the customers are responding and we're seeing unit traffic growth. And as time goes along, and customers build trust, it builds a halo effect across the store. And that's growing top line sales, growing daily dollar share and unit share. And this is why we feel confident in our ability to use this to accelerate our top line sales.

Gregory S. Foran

Chief Executive Officer & Director, The Kroger Co.

A

It's more than just this. So there are many things that allow customers to feel comfortable in the store that they go shopping in. I'll tell you one of the key things. It's how clean it is. So you'd be amazed what happens when you run really clean supermarkets. What happens when you start focusing on how many out of stocks have I got in the freezer? Have I got that down from 30 outs down to 8 outs? What is the quality of the fresh foods? Not just that it looks good, but when I got it home in the fridge it actually lasted. So as we do this, it's a combination of all these things that makes it work. We do recognize that the affordability, the complexity of the promotions was a piece of this, but it's – if you like, all the other cards in the deck that all of us have to do, including eCommerce, to get the flywheel going. And what we're starting to see is when you do that, the flywheel does begin to turn.

Jacob Aiken-Phillips

Analyst, Melius Research LLC

Q

Yeah. Jacob Aiken-Phillips from Melius Research. I wanted to ask on prepared food and ready-to-heat, ready-to-eat meals. It's a compelling opportunity given the size of food away from home. But I mean, to be honest, grocer has been trying to take care of that what's for dinner tonight occasion for a long time. So what do you think has changed now to where that's a more compelling opportunity? Is it like delivery economics, fulfillment, just the cumulative inflation gap between food at home, food away from home? And then I guess any color you can give us on the economics of those. Is it supposed to be additive to a basket? Is it accretive on a standalone basis, et cetera? Thank you.

Gregory S. Foran

Chief Executive Officer & Director, The Kroger Co.

A

Yeah, I'll make a couple of comments and then hand it to Mary Ellen. Mark, you may have some views on it. If I took you to the UK and took you into a Sainsbury's or a Tesco or a Marks & Spencer's, you would see literally hundreds of lineal feet of convenience meals. And by the way, they've been doing that for 20 years. So you ask yourself, why has it been slower in the US market? Is it because people don't want those meals? Or is it because they haven't been served up in a consistent and scalable fashion?

And I would say to you, it's more because they haven't been served up in a scalable and consistent fashion. I look at some of our competitors out there who do this incredibly well. And so I think there's a market there, but a lot of

not just traditional grocers but even other people that are in the food business have not got into this market the way that I see it in New Zealand, Australia, Europe, the UK. It's there.

So I'm confident that by us taking a very sensible, measured approach to this again, I think we've got it in about 600 stores, I think our plan is to get it in about 1,000 stores. You can start to see it. You can tell when you walk in the store we've got what we call M1 freezers down there. The product is out there. There's a good range of meals at \$6, \$10, family meals \$20. We've introduced a \$20 sushi platter. We're seeing it work. I would say to you that delivery to home has also been a reasonable important component in this. And the fact that you've got third-parties out there that are delivering, and increasingly e-commerce is gaining even more momentum in America. And remember, versus other countries, the US has not actually been to the forefront of e-commerce and food.

Once again, places like Asda and Tesco and Sainsbury's and Woolworths, they've actually been well ahead. But the US was quite slow to get into it, and a couple of us up here were part of that back in sort of 2014, 2015, 2016. It's now got some momentum. But now you've got this delivery in one hour, I think there's a good opportunity here to solve the question, which hasn't gone away, what's for dinner tonight? I'll pause it.

Mary Ellen Adcock

Executive Vice President, Chief Merchant & Marketing Officer, The Kroger Co.

A

I think that's well said. I would just add, as we're building America's favorite grocer, becoming the ready meal destination is how we continue to grow the basket and increase frequency and trips, and it expands the addressable market. What's different is that we are investing in innovation. We've got some really great meals and are ready-to-cook, ready-to-eat. They're margin accretive and they're in our Private Selection brand, which is really resonating with customers. We're out every week. I'm out just this past weekend and a customer says, wow, this chicken looks fantastic for dinner tonight. That's what we want. That's what's different. In addition to the fact that it is now online and that capability has really increased to be able to serve the customer. And then you combine it with our brands, you combine it with our fresh offerings, our great e-commerce experience. And that's why we feel confident and we're excited about our ability to grow over the next several years.

Mark Ibbotson

Executive Vice President & Chief Store Operations Officer, The Kroger Co.

A

I think it's a fantastic question. And you probably guessed from my accent that I'm not a local Cincinnati boy. So I started with Sainsbury's. And I can remember, as Greg said, 30-odd years ago, Sainsbury's introducing the ready meal, which interestingly was a copycat of the frozen TV dinner from the US. And Sainsbury's introduced it along with Marks & Spencer's about the same time. Took a couple of years to get it, get behind it, inculcate that habit into the UK consumer.

But then, as Greg said, this is a huge category. Now I think why it resonates today in the US is, I think mum, dad are under a little bit of pressure on meals away – meals, the affordability of meals away from the home. If you can replace that with an affordable and as good a quality, if not better, delivered to the home, then you score. And I think the reason it's been rather late to the US is the proximity of good quality QSR. It's everywhere. But I think that's now started to change as our quality and our prices got better and the ability to deliver. So I'm very bullish and very excited by this opportunity.

John Heinbockel

Analyst, Guggenheim Securities LLC

Q

John Heinbockel, Guggenheim. So I mean, I think you've got e-comm doubling or e-comm sales doubling over some period of time here. So two related points. When you think about if you now rethought store proximity and

cannibalization such that put them closer together and take a little more maybe brick-and-mortar cannibalization, but thought on that. And then secondly, if penetration is going to be 30%, what do you need to do differently in older stores, right? The existing base in terms of your picking process and maybe moving, maybe moving some of that behind the wall and doing a quasi-dark store.

Gregory S. Foran

Chief Executive Officer & Director, The Kroger Co.

A

Great question. One of the things, and you heard me say it, John, that this is the biggest area of growth for us. And there's some pretty good competitors out there, of which I know, in fact a couple of us on this panel do know quite well, and know what we have to do. So why don't I hand maybe to you, Nate, and then you, Mark, and you can talk about how we're thinking about picking stores, how we're going to improve our efficiency, all those sort of things.

Nate Faust

Chief eCommerce Officer & Executive Vice President, The Kroger Co.

A

Sure, I'll let Mark speak to more of the efficiencies, but from a customer experience perspective, the stores really are our most critical asset in delivering faster and faster. And this also plays into the prior question around prepared meals, where I think that's our biggest opportunity to provide an extremely fast differentiated experience. We're currently around a quarter of the orders delivered in under an hour. But when you think about a prepared meal basket that can be just a handful of items, we could theoretically get that delivered in 15 to 30 minutes to serve a family dinner within the hour they're done eating. And so I think the stores as an asset for providing that more rapid customer experience is undeniable. I'll let Mark talk to how we do that at massive scale at a 30% penetration.

Mark Ibbotson

Executive Vice President & Chief Store Operations Officer, The Kroger Co.

A

I think this is a great question. And we are thinking in these terms and we've had a lot of strategy sessions that is pushing this five years. So pick-to-light is the obvious one I mentioned. Now we're seeing up to 10% improvement. And who knew flashing a light to find something works like a charm? So our associates like it, they feel invested in it. We can do that for our associates. We can also do it for our third-party pickers. So we do listening groups with our third-party pickers, and they reward us with more and more frequent trips and more accuracy. So the accuracy goes up, the productivity goes up, and the refund rate goes down.

You touched on something earlier on, how are you thinking about 30%? Well, we're thinking about those kind of numbers, and we have a lot of friends all over the world that have hit those numbers in the UK, and we share a lot of best practice. How we think about it is there is a tipping point, and we want to make sure that we're measuring that with real fidelity. So we have crowdsource mystery customers who are looking at how many times I'm interrupted, what's in front of me, how my ease of navigation around the store.

So you'll find it increasingly easy to navigate the store. But you touched on the point on – at what point do you go with an element of mechanization? I think the mechanization goes into your current estate. You harvest the space where the AI gives you the nod you can do. I think it's smaller than it has been in the past. I think about sort of 3,000 to 5,000 SKUs, the head of the assortment being picked, and the balance being picked off the shop floor. So I would pick ambient, head of the assortment, then I'd go after fresh and frozen off the shop floor.

At some point, I would start to think about some fresh, but fresh is very difficult. All the condensation, refrigeration is expensive. So how we are starting to think and you'll see us probably test the water in the short-term on micro-

fulfillment in the store, pick the head of the assortment, use automation around the balance of the store, take full advantage of that in that way.

Gregory S. Foran

Chief Executive Officer & Director, The Kroger Co.

A

When we get too busy, John, picking out of the store, our first objective would be to go and find another location to open another store. We think that's good. Most customers toggle between shopping in store and online. It's interesting, our data is so good. We obviously know when they're shopping in store, and if they're shopping online with someone else, that's an opportunity for us. We're going after that. But the 30% is our best guess, in five, seven years, obviously, we have some stores that are doing considerably closer to that now than others. That's an average. But we like the idea of the proximity of the store.

Simeon Ari Gutman

Analyst, Morgan Stanley & Co. LLC

Q

Hi. Simeon Gutman, Morgan Stanley. So if we start – this is a math question, mostly for you, David. You have \$8 billion roughly of EBITDA. You talked about \$500 million of incremental eCommerce profits, and if we grow your Retail Media 10%, you probably should do better than that. Over time, that could add another \$400 million to \$500 million of EBITDA. So those two bases together, eComm and Retail Media, it's about \$1 billion of EBITDA. Question is, what are you thinking about or what does your outlook imply for core retail? And did I double count to get to that \$500 million you have to achieve the savings. I'm just trying to understand the achievability, what's behind [ph] the 3% to 6% (02:39:18), because you basically get the EBITDA CAGR with just those two pieces alone.

David Kennerley

Executive Vice President & Chief Financial Officer, The Kroger Co.

A

Yeah. I mean, I think you got to – I mean, obviously, there's multiple puts and takes. I mean I think the first thing I want to say is we feel good about the EBITDA CAGR. But again, I just sort of – I want to sort of reinforce the point about next year. We do expect to be below it next year. So if I think about the, I don't know, call it the pluses and minuses, feel really good about the cost plans, and I think hopefully what we talked to you about today, you walk away with a degree of confidence that we can do that. And by the way, we're already doing it.

But there are, of course, investments that we're going to make as well. So even though, of course, we're expecting to grow the eCommerce business, we're expecting to improve our Retail Media business, we'll generate productivity, there's investments that we need to make in the business, whether that'd be the value investments that Mary Ellen talked about, whether that'd be other investments that we're going to invest in to drive further productivity. So I think you can't – you sort of cherry picked a few pieces there, Simeon. I think there's a few other offsets. But we feel confident about the range that we've put up there, but it will build over time, and there's other puts and takes that you need to take into consideration.

Michael Lasser

Analyst, UBS Securities LLC

Q

Thank you very much. It's Michael Lasser from UBS. If we try to decompose the 3% comp growth over the next few years, is it right for us to think you'll get 20%, 25% eCommerce growth and the intention is to keep the stores flat? And if that's the case, the eCommerce growth would be not that dissimilar from what Kroger has been achieving as of late. But the in-store growth are flattening out would be a much bigger step-up than what is experienced as of late. Is that realistic? And as part of that, if you fall short of the 3%, how does the EBITDA growth look in that type of scenario? Thank you very much.

Gregory S. Foran

Chief Executive Officer & Director, The Kroger Co.

A

Great. We thought we might get a few questions around this, so thank you. I'll make sort of one key comment carefully, and then hand to you, David. I do see an opportunity to get some comp store growth in stores. I've been here 230 days. I've been out every single week in stores, half of those visits are unannounced. I've been doing this long enough to know that we improve the in-stocks, we improve the quality of the department managers, we start to get the whole box operating in a much more effective manner.

We can get some comp sales out of our stores. There is no doubt a reasonable amount of the growth is going to come out of eCommerce, and I see that as I walk the stores as well, and I know how many orders we're doing in pickup. I know how many are getting done in third-party. I know roughly what I would expect some of the competition are doing, and I can see plenty of upside in our eCommerce business at its \$18 billion. But my point is I also see opportunities to get some comp growth out of the stores.

David Kennerley

Executive Vice President & Chief Financial Officer, The Kroger Co.

A

I think, Michael, a couple of things. I think we're expecting, of course, the eCommerce business to perform well, continued double-digit growth. We're not going to put a specific number on that today. But I think to Greg's point, I think we also think that we can get growth from the stores, and I think I mean both sales growth and I mean bottom line growth.

If I think about the merchandising initiatives that Mary Ellen talked about, they're profitable, they're accretive, particularly things like Our Brands growth, our waste initiatives, and I think I'll hand to Mark in a second, think about all the things that we're doing on the connected store, I think we see tremendous opportunity to both drive efficiency in the store through the connected store, but also to monetize that customer journey as well where the customer opts in. So I don't think you should think of this as everything comes from eCommerce and the stores grow negative, whether that'd be on the top line or the bottom line. I think we can do both, but it will be a gradual improvement over time. Mark?

Mark Ibbotson

Executive Vice President & Chief Store Operations Officer, The Kroger Co.

A

I think you could probably guess a couple of where – a couple of us have done this before. My experience with a competitor and back home in the UK is eCommerce picked from store demands operational excellence. So all boats rise on this tide. The availability in store is better once you've got a eCommerce pickup volume working in that store because you back into – the data is much more potent, and you've got much better visibility and fidelity of where the out-of-stocks are occurring and you adjust accordingly. So I found it as a very positive experience for the store as it's grow because the store gets better with it. So I think you start to see both.

Thomas Palmer

Analyst, JPMorgan Securities LLC

Q

Hi. Tom Palmer, JPMorgan. I wanted to clarify on new store expectations, especially in context of both the 110 planned new store openings, but also the commentary about comps, assuming the benefit from relocations. So, first, on the 110 new stores, any framing on how much are relocations versus net additions to the store network? And then the 6% to 7% four-wall EBITDA at maturity, how does this compare to the legacy store base? Thanks.

Gregory S. Foran

Chief Executive Officer & Director, The Kroger Co.

Why don't you pick that up, David?

A

David Kennerley

Executive Vice President & Chief Financial Officer, The Kroger Co.

Yeah, I'll take that one. So the 110 new stores, I want to be clear, those are new stores. Yeah. So, obviously, we'll continue to remodel the estate as well. And one of the reasons that we've indicated that we'll increase the capital over time is we want to build new stores, and the company actually for quite a long period of time hadn't done that, and there's all sorts of benefits to do that, not only store growth, but also the impact on eCommerce or the need for those new stores to grow the eCommerce business.

A

The EBITDA margins I talked about are kind of a – they're a four-wall EBITDA margins. So think of that as sort of the incremental margin that we get from the new stores. And one of the disciplines that we're embedding as we look at new stores is we need those to be accretive. So stores that come to our capital committed are not accretive to the current margins that we run today are very, very unlikely to get approved. Now, there may be some exceptions as to – reasons as to why we may do that. But you should think of the 6% to 7% as accretive to the current estate that we have, and it's one of the contributors, of course, to the way that we expand the margins of the business over time.

Edward Kelly

Analyst, Wells Fargo Securities LLC

Hi. Good morning, Ed Kelly, Wells Fargo. Greg, I wanted to ask you about this shift in pricing strategy. I think many people in this room do pricing surveys, and they would look at shelf prices sort of double digits above Walmart. I think if you're maybe a bit more realistic and include promo and loyalty, you can get that number down to sort of mid-high-single digits. But I think there is a view that the high/low model within conventional grocery is an outdated model in a digital world. Do you share that? How dramatic of a shift towards EDLP, are you looking at as it pertains to this? How do you get vendor buy-in to all this? Because they have to deal with you differently, I think, than what they have in the past. And what is the ultimate goal in terms of your price gap versus your competition?

Q

Gregory S. Foran

Chief Executive Officer & Director, The Kroger Co.

Great question, and we could probably talk for about three hours on this, and I will endeavor not to. Most retailers in the world actually are not even close to EDLP in the game that we're in. Most run a set of promotions. And I could – you heard me say I've worked now in six different countries in the world in the space. So I say that with some degree of experience. I, in fact, grew up in that model. That's what Woolworths is. So, for the first 30 years of my life, Woolworths behaves like Kroger does.

A

When I arrived at another retailer back in 2014, they weren't running EDLP. A number of you in this room I know were there and were part of some of those initial presentations. One of them, in fact, I did in this room. I recall at one point very early on that they were running 109 catalogues a year. In fact, if I go into some of those compared to today, they've got various programs that, in fact, are just long-term specials.

So my point here is the purity of EDLP, be careful about understanding exactly what that is. When I have a look at the campaigns that we run in Kroger, and as you've heard me say, I spend a fair amount of time in stores, I talk to customers, I stand in front of shelves, I look at it myself, it honestly is just a bit too complex when you have three

prices on a label. It might say \$3.99, regular price \$2.99, digital deal \$1.99, six or more. And I can tell you that a lot of customers don't fully understand how that works. Our group do, and when you actually shop Kroger using all those specials, we're just about the cheapest in the marketplace.

The problem is that most people can't work out or don't want to actually have to buy that quantity, particularly when you think that a third of the households in the US are now single-person households. So just toning that back, not removing it, but toning it back so it's simpler, so that the associates in the store, of which we have 400,000, you know what, I really enjoy this job because I'm not being asked by so many customers, do I need to buy six of this particular item or can I buy one of those, and is it one of every other one that's got a ticket like that?

I know I'm getting into some complexity here, but this is actually what happens in our stores every single day. It's happening right now. So we want to just tone that back a bit, get to something which is, I guess more akin to creating a trust environment with the customer. I trust the prices in Kroger, and they have some great specials. Now, we sort of know what that number is because, A, we got really good data, and B, a few of us here have been doing it for decades. We also sort of know what the overall basket needs to be because that's often how customers think about their shopping.

Some people know the price of bananas and a dozen eggs. Other people have no idea what their price is. Most people tend to think about it in terms of the basket of goods. We know that our basket of goods needs to sit x percent above some of our competitors, not that close and not that far away. But through experience, we've sort of learnt what that number is, and then we also can do some feel, and we can do the Boost program.

But the objective is not actually to get down to here. You don't need to do that. If you've got a better assortment and you're running better fresh foods, and it's an easier store to shop, there's actually an amount that customers say, you know what, it's just better to turn right and go to Kroger than turn left and go to a competitor. So, we're testing that.

We sort of knew it anyway. Mary Ellen started before I arrived, was wrong. That's why it's been going a year in some locations. We've just tuned that up a bit, done a few other things. We spent some money fixing some restrooms, fixing carts that aren't working properly, making sure the gardens are organized, making sure we've got a great manager running the store, making sure that the out-of-stocks are better, that they're running the self-service checkouts.

And when you get all of that starting to come together with an equation around price, which is not about being the cheapest, not about creating anything other than a value solution for the customer that says turn right, we are a great option.

And where supermarkets around the world do this, they actually do extremely well, and that's what excited me when I thought about the job, and I'm more excited today about it, 225 days later, because I see even more opportunity. But we have to be good enough to execute to it. Anything you want to add?

Mary Ellen Adcock

Executive Vice President, Chief Merchant & Marketing Officer, The Kroger Co.

A

I would just add a couple of things. A, first of all, we're using our industry-leading first-party data to guide this, and customers tell us that they really appreciate our promotions, and it's important to keep our promotions. We will not abandon promotions. But what's very clear, to the point Greg just made, is that customers do feel like they're too complex.

I mean, for example, just two weeks ago, we're out in a store, and I've got a customer on a dairy aisle showing me the complexity of an item. So, it's taking that and reallocating it into our everyday prices because when we're on promotion, we are quite competitive. So, it's about reallocating in places to sharpen the everyday prices.

And then, to your point about suppliers, we have engaged our supplier community. Suppliers are important to growing our strategy with both national brands and Our Brands for our collective growth. Customers want choice, and our suppliers are engaged in that, and they appreciate that. The most important thing, though, is the customer is responding.

Where we've done this, we see customers find it almost immediately with visits, trips, and then, over time, growing top line sales, gaining dollar share, gaining unit shares, because making the value visible is important. But that then allows us to showcase Fresh, meals, Our Brands, and it's the combination and why we feel confident we can grow customers, and we know when we grow customers, we deliver for our shareholders.

Krisztina Katai

Analyst, Deutsche Bank Securities, Inc.

Q

Hi. Good morning or almost afternoon here. Krisztina Katai from Deutsche Bank. So, thank you for all the details. And Greg, you've been very candid that the direct sourcing and several of the operating practices are established retail playbooks that are relatively new to Kroger.

So, my question is, how much of the opportunities Kroger closing an execution gap versus building a differentiated competitive advantage? And then, once that gap closes, what makes Kroger structurally harder to compete with? And as you scale the new pricing architecture, just have you built in any potential competitive response into the ID sales outlook? Thank you.

Gregory S. Foran

Chief Executive Officer & Director, The Kroger Co.

A

Yeah, a series of questions here, and I'll hand to some of my colleagues on, so they can put a bit more color around it. We control the pace that we do something. So, if we get an environment where there is significant competitive pressure, then we'll control the pace by which we do something.

So, I would say to you at the moment, things are playing out pretty much as we expected they would be, and there is nothing which is surprising us. We're being quite measured and careful about the value equation that we're putting out there. I've forgotten the other parts of the question.

David Kennerley

Executive Vice President & Chief Financial Officer, The Kroger Co.

A

Competitors.

Gregory S. Foran

Chief Executive Officer & Director, The Kroger Co.

A

Competitors. Well, I sort of covered that. Not too much response there. Most of the – sorry, in terms of building on, if you like, the core, there is always more you can do in the core. There is always opportunities around in-stocks. There is always opportunities around markdowns. There is always opportunities around shrinkage, and Mark will pick up on some of those.

What we want to do, however, is we want to be able to not just do those basic things, but actually do them in a more modern environment, and that's part of what Mark was talking about in terms of the connected store. So, it's not just a matter of saying, hey, how do we get the unknown shrinkage in the store down to a world-class level? We're not there yet. We've got plenty of opportunity. But what are the tools and technology that we can now put in our associates' hands and actually look to leapfrog, where a number of our competitors are in the marketplace. So, we're doing both concurrently.

Mark Ibbotson

Executive Vice President & Chief Store Operations Officer, The Kroger Co.

A

I think it's a great question, and I think it's a very exciting time to be at Kroger. You've highlighted that we have some technology, we have the possibility, I think, to leapfrog. If you look at the infrastructure that we've already put in, so the electronic shelf-edge label is not new. It's been around about 30 years.

We started to think about this around a decade ago in terms of at what point does the technology lower its cost, and at what point, does the average hourly rate increase to the point where it becomes affordable? As that's happened, something else has happened in that IoT is now starting to pervade.

So, every device will connect with our electronic shelf-edge label on a Bluetooth protocol. So, you will walk into a Kroger, and we can see you, should you wish to be seen. At that point, we can start to flow ads to you, improve your journey around the store, direct you around the store. And if you don't want to do that, that's cool, too.

And there are other technologies. I have a team in the UK, the team that's just back from the UK to look at how the UK is thinking about Scan & Go. So, Scan & Go is a protocol that we can also bolt on to the IoT network that we have with a Bluetooth device on the rail. So, you've seen several technologies come together at the same time become increasingly affordable, but crucially, the customer is also part of that ecosystem. So, we have a plan looking at about five years, and I think this is disruptive technology. It will change the way we shop. It will change the way we work.

I mentioned before about the 30-year vet that was in the Nashville store that actually said he loved it. Those were his words. I love this because he felt like he'd been invested in, and his job was easier. It was a more rewarding task. So, we have a roadmap for about three years. What we don't want to do is overwhelm people. So, we have just started to roll this out. We're sharing best practice with some European retailers, and we're building a platform.

The other thing, as this goes into stores, the people who know the stores best are the people that work in the stores. So, we will get requests back on what can we add to this? So, I'm excited about the technology, the affordability of the technology, and the suite of options that we will put on the back of this technology that will serve our associates in a store, our customers through the front door, and our shareholders.

Joseph Isaac Feldman

Analyst, Telsey Advisory Group LLC

Q

Thank you. Joe Feldman, Telsey Advisory Group. Thanks, guys. Can you talk a bit about the pacing of the stores? 110 stores is a lot for you guys, and you haven't done that in a little while. Can you talk about how we should think of that through the next few years? And also the types of markets, like is it going to be infill? Is it entirely new markets or adjacent markets that you would go into? Just any more color you could share would be helpful. Thank you.

Gregory S. Foran

Chief Executive Officer & Director, The Kroger Co.

A

Yeah, sure. Before I arrived, Ron did a terrific job with the team of getting the real estate business back up and running. I think we're on track to do about 39 this year.

David Kennerley

Executive Vice President & Chief Financial Officer, The Kroger Co.

A

Yeah, about 39.

Gregory S. Foran

Chief Executive Officer & Director, The Kroger Co.

A

So, we're not starting from zero. We will do 39 this year, and those are all good stores, and we're very happy about that. So, we're not starting from a situation of zero. But what do you want to add to that?

David Kennerley

Executive Vice President & Chief Financial Officer, The Kroger Co.

A

Yeah. I think in terms of the markets, I think it's both. I mean, we don't want to stray too far from where we've got supply chain assets. So, I mean, I think that's an important thing as well because you've got to remember, we've got to be able to serve the stores that we open. We will both infill, but we will also go to some new territories that we think are economic for us to serve. And I think the sort of overriding principle is where we think we can drive accelerated growth, and we can also win meaningful share.

So, we're very thoughtful about where we go. We've got a pretty clear roadmap over the next few years. As Greg said, we've already started on this. So, we'll do more stores this year than we did last year. We'll do more the year after. We have a capacity that we think is about the maximum that we'll want to open in any given year, and I think that's not just a financial capacity. In fact, that, in many ways, is the least relevant thing.

It's about the talent, the people, the recruiting. It's our ability to execute that well. We do not want to open a store, and it not perform well because we didn't have the right associates, the right executional capacity, et cetera. So, building over time, but it does sort of top out at a particular level because that's the capacity that we believe we have to execute.

Rob Quast

Vice President-Investor Relations, The Kroger Co.

A

We have time for one final question.

Kelly Bania

Analyst, BMO Capital Markets Corp.

Q

Thank you, Rob. As you make these investments in value, the key here is the unit response, which you gave the data point. Are the majority of those investments in Fresh and Kroger brands? How much is in national brands? What is the expectation there, because there's different competitive sets kind of across the food landscape in the different categories. So, just wanted to understand where you're kind of investing. And then, the timeline. So, 250 stores by the end of this year, another 450 next year. What's the timeline beyond that? Thank you.

Gregory S. Foran

Chief Executive Officer & Director, The Kroger Co.

A

We're not going to get into the details of where we've invested in price, in either a public or a private forum, for obvious reasons. But we have good data, and a combination of using the data, and having done this before, we're pretty comfortable with the sort of algorithms that we're running and how that is playing out at this point.

The speed of the rollout, as I said a number of times, is something that we pace, and we're not sure exactly what the competitor reaction is going to be. We obviously have an idea of what's happened to-date. We'll have to see, but we control how quickly or not we want to move. What do you want to add to that?

David Kennerley

Executive Vice President & Chief Financial Officer, The Kroger Co.

A

Yeah. I think a couple of things, Kelly. I mean, obviously, we've got a roadmap for the next few years, and I think we're going to be flexible. We're pretty clear about where we go next year. And as Mary Ellen talked about, we've got a pretty clear criteria about how we do that.

The investments are sort of timed to make sure that they sort of match up with the cost savings that we generate, and depending on what happens, maybe we go faster, maybe we go a bit slower. We're very, very clear about wanting to protect the margins of the business.

I think that's all I probably want to add, is that sort of over the next, but once we get beyond next year, we'd expect to be – have the whole estate or broadly the whole estate on this plan by the time we exit 2029, which is what gives us good confidence about the 3% that we put out there today.

Rob Quast

Vice President-Investor Relations, The Kroger Co.

Great. Thank you. That brings us to the end of our Q&A session and Kroger's 2026 Investor Update. On behalf of all of us here at Kroger, thank you, again, for joining us. We appreciate your continued interest in Kroger. For those of you here in person, we invite you to enjoy some Our Brands products outside where we continue the conversation. Thank you, all, and have a wonderful day.

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