

# Kroger Q1 2025 Earnings Release

June 20, 2025



# Safe Harbor

This presentation includes certain statements that constitute “forward-looking statements” about Kroger’s financial position and expected performance, including our proposed transaction with Albertsons Companies. These statements are based on management’s assumptions and beliefs in light of currently available information. Such statements are indicated by words or phrases such as “committed,” “could,” “delivering,” “guidance,” “may,” “model,” “opportunities,” “strategy,” “thesis,” and other similar statements. Various uncertainties and other factors could cause actual results to differ materially from those contained in the forward-looking statements. These include the specific risk factors identified in “Risk Factors” in our annual report on Form 10-K for our last fiscal year and any subsequent filings. Kroger assumes no obligation to update the information contained herein unless required by applicable law. Please refer to Kroger’s reports and filings with the Securities and Exchange Commission for a further discussion of these risks and uncertainties. This presentation includes certain non-GAAP financial measures. Please refer to the supplemental information presented in the tables for reconciliations of the non-GAAP financial measures used in this presentation to the most comparable GAAP financial measure and related disclosure. This presentation also includes certain forward-looking non-GAAP financial measures, which management believes to be useful to investors and analysts. Kroger is unable to provide a full reconciliation of the non-GAAP measures used in our guidance, including, but not limited to, adjusted FIFO operating profit to operating profit and adjusted free cash flow, without unreasonable effort because it is not possible to predict with a reasonable degree of certainty the information necessary to calculate such measures on a GAAP basis. It is not possible to estimate with a reasonable degree of certainty certain of our adjustment items because such information is dependent on future events that may be outside of our control. The unavailable information could have a significant impact on our GAAP financial results.

# Q1 2025 Results

**+3.2%**

ID Sales<sup>(1)</sup>

**\$1,322M**

GAAP Operating Profit

**\$1.29**

GAAP EPS

**+15%**

Digital Sales

**\$1,518M**

Adj. FIFO Operating Profit

**\$1.49**

Adj. EPS  
+4% growth



(1) Without fuel and adjustment items

# Strengthening our Value Creation Model

Delivering Sustainable Total Shareholder Return of 8 – 11%\*



## Supermarket

Grew digital sales by 15% over last year driven by strong demand in delivery

Improved FIFO gross margin through strong shrink performance and lower supply chain costs



## Health and Wellness

Strong sales growth compared to last year driven by GLP-1s and growth in organic prescriptions excluding GLP-1s

Strong improvement in profitability



## Fuel

Fuel profitability decreased as a result of fewer gallons sold

Gallons sold outpaced industry



## Alternative Profits

Growth from alternative profit businesses, led by Media

Strong, Durable Retail Business including Grocery, Pharmacy, and Fuel

PROFITS

TRAFFIC &

DATA &

TRAFFIC

Fast Growing Alternative Profits



\*Total shareholder return assumes no change in Kroger's PE Ratio.

# 2025 Full-Year Guidance\*

| Adjusted Metric*                    | FY25 Guidance as of<br>March 6, 2025 | FY25 Guidance as of<br>June 20, 2025 |
|-------------------------------------|--------------------------------------|--------------------------------------|
| Identical Sales<br>without fuel (%) | 2.0% – 3.0%                          | 2.25% – 3.25%                        |
| Operating Profit (\$B)              | \$4.7 – \$4.9                        | \$4.7 – \$4.9                        |
| EPS (\$)                            | \$4.60 – \$4.80                      | \$4.60 – \$4.80                      |
| Free Cash Flow (\$B)**              | \$2.8 – \$3.0                        | \$2.8 – \$3.0                        |
| Cap Ex (\$B)                        | \$3.6 – \$3.8                        | \$3.6 – \$3.8                        |
| Tax Rate***                         | 23%                                  | 23%                                  |

\* Without adjusted items, if applicable. Kroger is unable to provide a full reconciliation of the GAAP and non-GAAP measures used in 2025 guidance without unreasonable effort because it is not possible to predict certain of our adjustment items with a reasonable degree of certainty. This information is dependent upon future events and may be outside of our control and its unavailability could have a significant impact on 2025 GAAP financial results.

\*\* Adjusted free cash flow excludes planned payments related to the restructuring of multi-employer pension plans, payments related to opioid settlements and merger litigation costs.

\*\*\* The adjusted tax rate reflects typical tax adjustments and does not reflect changes to the rate from the completion of income tax audit examinations and changes in tax laws and policies, which cannot be predicted.



# Investment Thesis

## Strong Business with Exciting Growth Opportunities

- Conveniently located +2,700 stores
- First Party Data on 63M Households
- ~\$37B *Our Brands* Business<sup>(1)</sup>
- Significant eCommerce Business, ~\$14B<sup>(1)</sup>
- Robust New Store Growth



(1) In FY2025, Kroger restated its sales definitions for *Our Brands* and eCommerce. These numbers reflect the total annual sales for 2024 under the new definitions.

## Proven Value Creation Model

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

## Strong Balance Sheet & Resilient Free Cash Flow

- Strong Free Cash Flow Yield
- Investment Grade Debt Rating
- Growing Dividend Subject to Board Approval
- Committed to Repurchasing Shares with Excess Cash
- Current Debt : EBITDA 1.69x

# Appendix

**Table 1.**  
**THE KROGER CO.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in millions, except per share amounts)  
(unaudited)

|   | FIRST QUARTER |        |           |        |
|---|---------------|--------|-----------|--------|
|   | 2025          |        | 2024      |        |
| SALES   | \$ 45,118     | 100.0% | \$ 45,269 | 100.0% |
| OPERATING EXPENSES  |               |        |           |        |
| MERCHANDISE COSTS, INCLUDING ADVERTISING,<br>WAREHOUSING AND TRANSPORTATION (a),<br>AND LIFO CHARGE (b) | 34,551        | 76.6   | 35,124    | 77.6   |
| OPERATING, GENERAL AND ADMINISTRATIVE (a)   | 7,923         | 17.6   | 7,604     | 16.8   |
| RENT  | 271           | 0.6    | 269       | 0.6    |
| DEPRECIATION AND AMORTIZATION   | 1,051         | 2.3    | 978       | 2.1    |
| OPERATING PROFIT  | 1,322         | 2.9    | 1,294     | 2.9    |
| OTHER INCOME (EXPENSE)  |               |        |           |        |
| NET INTEREST EXPENSE  | (199)         | (0.5)  | (123)     | (0.3)  |
| NON-SERVICE COMPONENT OF COMPANY-SPONSORED<br>PENSION PLAN (EXPENSE) BENEFITS                           | (1)           | -      | 4         | -      |
| (LOSS) GAIN ON INVESTMENTS  | (19)          | -      | 16        | -      |
| NET EARNINGS BEFORE INCOME TAX EXPENSE  | 1,103         | 2.4    | 1,191     | 2.6    |
| INCOME TAX EXPENSE  | 235           | 0.5    | 235       | 0.5    |
| NET EARNINGS INCLUDING NONCONTROLLING INTERESTS   | 868           | 1.9    | 956       | 2.1    |
| NET INCOME ATTRIBUTABLE TO<br>NONCONTROLLING INTERESTS  | 2             | -      | 9         | -      |
| NET EARNINGS ATTRIBUTABLE TO THE KROGER CO.   | \$ 866        | 1.9%   | \$ 947    | 2.1%   |
| NET EARNINGS ATTRIBUTABLE TO THE KROGER CO.<br>PER BASIC COMMON SHARE                                   | \$ 1.30       |        | \$ 1.30   |        |
| AVERAGE NUMBER OF COMMON SHARES USED IN<br>BASIC CALCULATION  | 660           |        | 721       |        |
| NET EARNINGS ATTRIBUTABLE TO THE KROGER CO.<br>PER DILUTED COMMON SHARE                                 | \$ 1.29       |        | \$ 1.29   |        |
| AVERAGE NUMBER OF COMMON SHARES USED IN<br>DILUTED CALCULATION  | 664           |        | 727       |        |
| DIVIDENDS DECLARED PER COMMON SHARE   | \$ 0.32       |        | \$ 0.29   |        |

Note: Certain percentages may not sum due to rounding.

Note: The Company defines First-In First-Out (FIFO) gross profit as sales minus merchandise costs, including advertising, warehousing and transportation, but excluding the Last-In First-Out (LIFO) charge, rent and depreciation and amortization.

The Company defines FIFO gross margin as FIFO gross profit divided by sales.

The Company defines FIFO operating profit as operating profit excluding the LIFO charge.

The Company defines FIFO operating margin as FIFO operating profit divided by sales.

The above FIFO financial metrics are important measures used by management to evaluate operational effectiveness. Management believes these FIFO financial metrics are useful to investors and analysts because they measure our day-to-day operational effectiveness.

- (a) Merchandise costs ("COGS") and operating, general and administrative expenses ("OG&A") exclude depreciation and amortization expense and rent expense which are included in separate expense lines.
- (b) LIFO charges of \$40 and \$41 were recorded in the first quarters of 2025 and 2024, respectively.



**Table 2.**  
**THE KROGER CO.**  
**CONSOLIDATED BALANCE SHEETS**  
(in millions)  
(unaudited)

|   | May 24,<br>2025  | May 25,<br>2024  |
|---|------------------|------------------|
| <b>ASSETS</b>   |                  |                  |
| Current Assets  |                  |                  |
| Cash  | \$ 340           | \$ 345           |
| Temporary cash investments                                | 4,398            | 2,501            |
| Store deposits in-transit                                 | 1,179            | 1,226            |
| Receivables   | 2,131            | 1,968            |
| Inventories   | 7,020            | 6,694            |
| Assets held for sale                                      | -                | 607              |
| Prepaid and other current assets                          | 697              | 822              |
| Total current assets                                      | 15,765           | 14,163           |
| Property, plant and equipment, net                        | 25,829           | 25,537           |
| Operating lease assets                                    | 6,840            | 6,695            |
| Intangibles, net  | 836              | 864              |
| Goodwill  | 2,674            | 2,673            |
| Other assets  | 1,304            | 1,647            |
| Total Assets  | <u>\$ 53,248</u> | <u>\$ 51,579</u> |
| <b>LIABILITIES AND SHAREOWNERS' EQUITY</b>                |                  |                  |
| Current Liabilities                                       |                  |                  |
| Current portion of long-term debt including obligations   |                  |                  |
| under finance leases                                      | \$ 807           | \$ 198           |
| Current portion of operating lease liabilities            | 668              | 665              |
| Accounts payable  | 10,562           | 10,777           |
| Accrued salaries and wages                                | 1,209            | 1,208            |
| Liabilities held for sale                                 | -                | 242              |
| Other current liabilities                                 | 3,379            | 3,288            |
| Total current liabilities                                 | 16,625           | 16,378           |
| Long-term debt including obligations under finance leases | 17,138           | 12,021           |
| Noncurrent operating lease liabilities                    | 6,595            | 6,412            |
| Deferred income taxes                                     | 1,401            | 1,535            |
| Pension and postretirement benefit obligations            | 381              | 386              |
| Other long-term liabilities                               | 2,200            | 2,434            |
| Total Liabilities   | 44,340           | 39,166           |
| Shareowners' equity                                       | 8,908            | 12,413           |
| Total Liabilities and Shareowners' Equity                 | <u>\$ 53,248</u> | <u>\$ 51,579</u> |
|   |                  |                  |
| Total common shares outstanding at end of period          | 661              | 722              |
| Total diluted shares year-to-date                         | 664              | 727              |

**Table 3.**  
**THE KROGER CO.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in millions)  
(unaudited)

|  | YEAR-TO-DATE |            |
|--|--------------|------------|
|  | 2025         | 2024       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |              |            |
| Net earnings including noncontrolling interests  | \$ 868       | \$ 956     |
| Adjustments to reconcile net earnings including noncontrolling interests to net cash provided by operating activities: |              |            |
| Depreciation and amortization  | 1,051        | 978        |
| Asset impairment and store closure charges   | 108          | 20         |
| Operating lease asset amortization   | 184          | 187        |
| LIFO charge  | 40           | 41         |
| Share-based employee compensation  | 38           | 57         |
| Deferred income taxes  | (16)         | (64)       |
| Loss (gain) on investments   | 19           | (16)       |
| Other  | (37)         | (10)       |
| Changes in operating assets and liabilities:   |              |            |
| Store deposits in-transit  | 133          | (11)       |
| Receivables  | 47           | (102)      |
| Inventories  | (23)         | 225        |
| Prepaid and other current assets   | 86           | (208)      |
| Accounts payable   | 288          | 622        |
| Accrued expenses   | (381)        | (327)      |
| Income taxes receivable and payable  | 41           | 180        |
| Operating lease liabilities  | (134)        | (137)      |
| Other  | (163)        | (49)       |
| Net cash provided by operating activities  | 2,149        | 2,342      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |              |            |
| Payments for property and equipment, including payments for lease buyouts  | (1,044)      | (1,304)    |
| Proceeds from sale of assets   | 12           | 304        |
| Other  | (7)          | (14)       |
| Net cash used by investing activities  | (1,039)      | (1,014)    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |              |            |
| Payments on long-term debt including obligations under finance leases  | (52)         | (54)       |
| Dividends paid   | (211)        | (210)      |
| Proceeds from issuance of capital stock  | 145          | 85         |
| Treasury stock purchases   | (181)        | (103)      |
| Other  | (32)         | (66)       |
| Net cash used by financing activities  | (331)        | (348)      |
| <b>NET INCREASE IN CASH AND TEMPORARY CASH INVESTMENTS</b>   | <b>779</b>   | <b>980</b> |
| <b>CASH AND TEMPORARY CASH INVESTMENTS:</b>  |              |            |
| BEGINNING OF YEAR  | 3,959        | 1,883      |
| END OF PERIOD  | \$ 4,738     | \$ 2,863   |
| <b>Reconciliation of capital investments:</b>  |              |            |
| Payments for property and equipment, including payments for lease buyouts  | \$ (1,044)   | \$ (1,304) |
| Payments for lease buyouts   | 11           | 37         |
| Changes in construction-in-progress payables   | (150)        | 37         |
| Total capital investments, excluding lease buyouts   | \$ (1,183)   | \$ (1,230) |
| <b>Disclosure of cash flow information:</b>  |              |            |
| Cash paid during the year for net interest   | \$ 269       | \$ 70      |
| Cash paid during the year for income taxes   | \$ 203       | \$ 119     |

**Table 4. Supplemental Sales Information**  
(in millions, except percentages)  
(unaudited)

Items identified below should not be considered as alternatives to sales or any other GAAP measure of performance. Identical sales is an industry-specific measure, and it is important to review it in conjunction with Kroger's financial results reported in accordance with GAAP. Other companies in our industry may calculate identical sales differently than Kroger does, limiting the comparability of the measure.

Kroger defines identical sales, excluding fuel, as sales to retail customers, including sales from all departments at identical supermarket locations, jewelry and ship-to-home solutions. Kroger defines a supermarket as identical when it has been in operation without expansion or relocation for five full quarters. We include Kroger Delivery sales as identical if the delivery occurs in an existing Kroger Supermarket geography or when the location has been in operation for five full quarters.

**IDENTICAL SALES**

|                | EXCLUDING ADJUSTMENT<br>ITEMS |           | FIRST QUARTER |           |
|----------------|-------------------------------|-----------|---------------|-----------|
|                | FIRST QUARTER (a)             |           | FIRST QUARTER |           |
|                | 2025                          | 2024      | 2025          | 2024      |
| EXCLUDING FUEL | \$ 39,766                     | \$ 38,535 | \$ 40,027     | \$ 38,867 |
| EXCLUDING FUEL | 3.2%                          | 0.5%      | 3.0%          | 0.5%      |

(a) Identical sales, excluding fuel, were adjusted to exclude stores involved in the labor disputes in Colorado. Identical sales, excluding fuel, were excluded for the first four weeks of the quarter for stores involved in this labor dispute.

**Table 5. Reconciliation of Net Total Debt and  
Net Earnings Attributable to The Kroger Co. to Adjusted EBITDA**  
(in millions, except for ratio)  
(unaudited)

The items identified below should not be considered an alternative to any GAAP measure of performance or access to liquidity. Net total debt to adjusted EBITDA is an important measure used by management to evaluate the Company's access to liquidity. The items below should be reviewed in conjunction with Kroger's financial results reported in accordance with GAAP.

The following table provides a reconciliation of net total debt.

|  | May 24,<br>2025  | May 25,<br>2024 | Change          |
|--|------------------|-----------------|-----------------|
| Current portion of long-term debt including obligations under finance leases | \$ 807           | \$ 198          | \$ 609          |
| Long-term debt including obligations under finance leases                    | 17,138           | 12,021          | 5,117           |
| Total debt   | 17,945           | 12,219          | 5,726           |
| Less: Temporary cash investments   | 4,398            | 2,501           | 1,897           |
| Net total debt   | <u>\$ 13,547</u> | <u>\$ 9,718</u> | <u>\$ 3,829</u> |

The following table provides a reconciliation from net earnings attributable to The Kroger Co. to adjusted EBITDA, as defined in the Company's credit agreement, on a rolling four quarter 52-week basis.

|  | ROLLING FOUR QUARTERS ENDED |                 |
|--|-----------------------------|-----------------|
|  | May 24,<br>2025             | May 25,<br>2024 |
| Net earnings attributable to The Kroger Co. on a 53-week basis in fiscal year 2023 | \$ 2,584                    | \$ 2,149        |
| LIFO charge  | 94                          | 55              |
| Depreciation and amortization  | 3,319                       | 3,146           |
| Net interest expense   | 526                         | 411             |
| Income tax expense   | 670                         | 616             |
| Adjustment for loss (gain) on investments  | 183                         | (245)           |
| Adjustment for severance charge and related benefits                               | 32                          | -               |
| Adjustment for impairment of intangible assets                                     | 30                          | -               |
| Adjustment for property losses   | 25                          | -               |
| Adjustment for merger-related costs (a)  | 509                         | 450             |
| Adjustment for merger-related litigation costs                                     | 15                          | -               |
| Adjustment for opioid settlement charges and vendor reserves                       | (5)                         | 1,413           |
| Adjustment for gain on sale of Kroger Specialty Pharmacy                           | (79)                        | -               |
| Adjustment for labor dispute charges   | 44                          | -               |
| Adjustment for store closures  | 100                         | -               |
| Adjustment for executive stock compensation for a former executive                 | (21)                        | -               |
| 53rd week EBITDA adjustment  | -                           | (187)           |
| Other  | (11)                        | (14)            |
| Adjusted EBITDA  | <u>\$ 8,015</u>             | <u>\$ 7,794</u> |
| Net total debt to adjusted EBITDA ratio on a 52-week basis                         | <u>1.69</u>                 | <u>1.25</u>     |

(a) Merger related costs primarily include third-party professional fees and credit facility fees associated with the terminated merger with Albertsons Companies, Inc.

**Table 6. Net Earnings Per Diluted Share Excluding the Adjustment Items**  
(in millions, except per share amounts)  
(unaudited)

The purpose of this table is to better illustrate comparable operating results from our ongoing business, after removing the effects on net earnings per diluted common share for certain items described below. Adjusted net earnings and adjusted net earnings per diluted share are useful metrics to investors and analysts because they present more accurately year-over-year comparisons for net earnings and net earnings per diluted share because adjusted items are not the result of normal operations. Items identified in this table should not be considered alternatives to net earnings attributable to The Kroger Co. or any other GAAP measure of performance. These items should not be reviewed in isolation or considered substitutes for the Company's financial results as reported in accordance with GAAP. Due to the nature of these items, as further described below, it is important to identify these items and to review them in conjunction with the Company's financial results reported in accordance with GAAP.

The following table summarizes items that affected the Company's financial results during the periods presented.

|  | FIRST QUARTER  |                 |
|--|----------------|-----------------|
|  | 2025           | 2024            |
| Net earnings attributable to The Kroger Co.  | \$ 866         | \$ 947          |
| Adjustment for loss (gain) on investments (a)(b)   | 15             | (12)            |
| Adjustment for labor dispute charges (a)(c)  | 33             | -               |
| Adjustment for store closures (a)(d)   | 77             | -               |
| Adjustment for executive stock compensation for a former executive (a)(e)                                    | (16)           | -               |
| Adjustment for merger-related costs (a)(f)   | -              | 143             |
| Adjustment for merger-related litigation costs (a)(g)  | 11             | -               |
| Adjustment for opioid settlement charges and vendor reserves (a)(h)  | 17             | -               |
| Executive stock compensation for a former executive income tax adjustment                                    | (7)            | -               |
| Held for sale income tax adjustment  | -              | (31)            |
| 2025 and 2024 Adjustment Items   | 130            | 100             |
| Net earnings attributable to The Kroger Co.<br>excluding the adjustment items above                          | <u>\$ 996</u>  | <u>\$ 1,047</u> |
| Net earnings attributable to The Kroger Co.<br>per diluted common share                                      | \$ 1.29        | \$ 1.29         |
| Adjustment for loss (gain) on investments (i)  | 0.02           | (0.02)          |
| Adjustment for labor dispute charges (i)   | 0.05           | -               |
| Adjustment for store closures (i)  | 0.12           | -               |
| Adjustment for executive stock compensation for a former executive (i)                                       | (0.03)         | -               |
| Adjustment for merger-related costs (i)  | -              | 0.20            |
| Adjustment for merger-related litigation costs (i)   | 0.02           | -               |
| Adjustment for opioid settlement charges and vendor reserves (i)   | 0.03           | -               |
| Executive stock compensation for a former executive income tax adjustment (i)                                | (0.01)         | -               |
| Held for sale income tax adjustment (i)  | -              | (0.04)          |
| 2025 and 2024 Adjustment Items   | 0.20           | 0.14            |
| Net earnings attributable to The Kroger Co. per<br>diluted common share excluding the adjustment items above | <u>\$ 1.49</u> | <u>\$ 1.43</u>  |
| Average number of common shares used in<br>diluted calculation   | 664            | 727             |

**Table 6. Net Earnings Per Diluted Share Excluding the Adjustment Items (continued)**  
(in millions, except per share amounts)  
(unaudited)

- (a) The amounts presented represent the after-tax effect of each adjustment.
  - (b) The pre-tax adjustments for loss (gain) on investments were \$19 and \$(16) in the first quarters of 2025 and 2024, respectively.
  - (c) The pre-tax adjustments to Sales, COGS and OG&A expenses for labor dispute charges was \$44.
  - (d) The pre-tax adjustment to OG&A expenses for store closures was \$100.
  - (e) The pre-tax adjustment to OG&A expenses for executive stock compensation for a former executive was \$(21).
  - (f) The pre-tax adjustment to OG&A expenses for merger-related costs was \$175.
  - (g) The pre-tax adjustment to OG&A expenses for merger-related litigation costs was \$15.
  - (h) The pre-tax adjustments to OG&A expenses for opioid settlement charges and vendor reserves was \$22.
  - (i) The amounts presented represent the net earnings (loss) per diluted common share effect of each adjustment.
- Note: 2025 First Quarter Adjustment Items include adjustments for the loss on investments, labor dispute charges, store closures, executive stock compensation for a former executive, merger-related litigation costs, opioid settlement charges and vendor reserves and executive stock compensation for a former executive income tax.
- 2024 First Quarter Adjustment Items include adjustments for the gain on investments, merger-related costs and held for sale income tax .

**Table 7. Operating Profit Excluding the Adjustment Items**(in millions)  
(unaudited)

The purpose of this table is to better illustrate comparable operating results from our ongoing business, after removing the effects on operating profit for certain items described below. Adjusted FIFO operating profit is a useful metric to investors and analysts because it presents more accurately year-over-year comparisons for operating profit because adjusted items are not the result of normal operations. Items identified in this table should not be considered alternatives to operating profit or any other GAAP measure of performance. These items should not be reviewed in isolation or considered substitutes for the Company's financial results as reported in accordance with GAAP. Due to the nature of these items, as further described below, it is important to identify these items and to review them in conjunction with the Company's financial results reported in accordance with GAAP.

The following table summarizes items that affected the Company's financial results during the periods presented.

|  | FIRST QUARTER |          |
|--|---------------|----------|
|  | 2025          | 2024     |
| Operating profit   | \$ 1,322      | \$ 1,294 |
| LIFO charge  | 40            | 41       |
| FIFO operating profit  | 1,362         | 1,335    |
| Adjustment for merger-related costs (a)                                | -             | 175      |
| Adjustment for merger-related litigation costs                         | 15            | -        |
| Adjustment for opioid settlement charges and vendor reserves           | 22            | -        |
| Adjustment for labor dispute charges                                   | 44            | -        |
| Adjustment for store closures  | 100           | -        |
| Adjustment for executive stock compensation for a former executive     | (21)          | -        |
| Other  | (4)           | (11)     |
| 2025 and 2024 Adjustment items   | 156           | 164      |
| Adjusted FIFO operating profit<br>excluding the adjustment items above | \$ 1,518      | \$ 1,499 |

- (a) Merger related costs primarily include third party professional fees and credit facility fees associated with the terminated merger with Albertsons Companies, Inc.

**Table 8. Gross Margin**  
(in millions, except percentages)  
(unaudited)

In the Consolidated Statements of Operations within Table 1, the Company separately presents rent and depreciation and amortization to evaluate operational effectiveness. The table below calculates gross margin in accordance with Generally Accepted Accounting Principles ("GAAP") by including a portion of rent and depreciation and amortization related to the Company's manufacturing and warehousing and transportation activities.

The following table provides the calculation of gross profit and gross margin in accordance with GAAP.

|  | FIRST QUARTER    |                 |
|--|------------------|-----------------|
|  | 2025             | 2024            |
| Sales  | \$ 45,118        | \$ 45,269       |
| Merchandise costs, including advertising, warehousing and transportation and LIFO charge, excluding rent and depreciation and amortization | 34,551           | 35,124          |
| Rent   | 18               | 23              |
| Depreciation and amortization  | 193              | 181             |
| Gross profit   | <u>\$ 10,356</u> | <u>\$ 9,941</u> |
| Gross margin   | <u>23.0%</u>     | <u>22.0%</u>    |