Management's Prepared Remarks

Q1 2025 Earnings Call

May 7, 2025

JP O'Meara
Senior Vice President, Head of Investor Relations

Thank you Sharon, and good morning everyone.
I am delighted to welcome you to our Q1 2025 results conference call.

On today's call are Frans Muller, our President & CEO and Jolanda Poots-Bijl, our CFO. After a brief presentation, we will open the call for questions.

In case you haven't seen it, the earnings release and the accompanying presentation slides can be accessed through the Investors section of our website aholddelhaize.com, which also provides extra disclosures and details for your convenience.

To ensure everyone has the opportunity to get their questions answered today, I ask that you initially limit yourself to 2 questions. If you have further questions then feel free to re-enter the queue.

To ensure ease of speaking, all growth rates mentioned in today's prepared remarks will be at constant exchange rates unless otherwise stated.

I'll now turn the call over to Frans.

Frans Muller
President, Chief Executive Officer

Thank you JP and good morning everyone.

At the heart of our Growing Together plan and our growth model is our ambition to accelerate growth and outperform the industry in the coming years. Therefore, I am pleased to report a strong first quarter, placing us well on track to reach our goals and aspirations for the year.

It has been a dynamic start to the year, as in both regions, we are operating in an environment of increasing geopolitical volatility. In the U.S., there have been recent spikes in the price of eggs, evolving conditions around tariffs, and increasing job insecurity in several parts of the country. In Europe, we experience ongoing conflict in Ukraine and large-scale protests in several Central and Southeastern European countries against corruption.

To navigate this environment, the most important thing is to 1) stay focused, 2) be agile to meet customer needs and 3) leverage your strengths, through your teams.

I am confident our Growing Together strategy provides us with the right toolkit to do just that. Our plan is anchored in the core attributes of what it takes to be a great local retailer. It has at its heart our growth model, which balances investment and cost control to deliver a compelling customer value proposition, now and in the future, no matter the market environment.

To this end, during the quarter, we continued with our planned price investments in the U.S. Giant Food for example expanded their ‘Fresh Low Prices’ initiative, lowering the price on hundreds of products across their own-brand range.

This builds on the steady cadence of price investments at Stop & Shop that already started in the second half of 2024. As of today, Stop & Shop has rolled out value-enhancing campaigns and lower prices at more than 40% of its stores. While we are still in the early phases of the campaigns, we are encouraged by the positive feedback with volumes beginning to trend better at locations where interventions have been made. We are closely monitoring the impact of these investments and have created a strong feedback loop to make adjustments to optimise future programs.

Albert Heijn, in the Netherlands, has further expanded their plant-based Terra Own-Brand range to 350 products. Over 20 percent of the product range is part of ‘Pricefavorites’ and all items qualify for an additional 10 percent discount as part of our AH premium program.

We are also doing a lot of great work to transform our loyalty programs to make progress towards our ambition to drive omnichannel loyalty sales penetration to over 80 percent by 2028.

- In the first quarter of this year our 5 U.S. brands delivered over 3.2 billion personalized offers, which is a year-over-year increase of 25%.

- My Hannaford Rewards was named among Newsweek's 'America's Best Loyalty programs'. As customers shop over time, they receive personalized offers for the products they love and earn two percent rewards on every own-brand item. It is no surprise that Hannaford leads the U.S. in Own-Brand penetration at almost 38 percent.
- A year ago, Albert in the Czech Republic added new "My Albert" features to drive loyalty, higher baskets, more traffic and increase healthy sales.

  Included in the features are:
  - Weekly personalized rewards and additional rewards for shopping over certain thresholds,
  - 15 percent discount on our Nature's Promise own brand product line,
  - And the ability to earn credits on selected healthy products.

  Since the update, Albert has seen a doubling in customer engagement and in discounts redeemed. And it has helped contribute to a 7 percentage points increase in loyalty sales penetration.

And as we strengthen our customer value proposition -- (through our price investments, enhancements to our loyalty programs, and differentiation of our Own Brand portfolio) -- we are also able to grow our customer reach.

Which brings me to the next growth driver that I would like to spend some time on – Densify and grow our markets.

Starting first with Profi. We are pleased to have completed our first quarter with Profi integrated into our portfolio. Profi adds over 1,700 supermarkets and convenience stores to our European footprint in the CSE region and will contribute over 3 billion euro to our sales throughout 2025. The acquisition solidifies our ambition to reach the number 1 or number 2 position in the markets where we operate. It also sets the CSE region up for additional growth and provides opportunities to drive synergies. So far the integration work is going well.

Next to integrating this most recent acquisition into the family, we are proceeding at a good pace to accelerate remodels and new store openings. When the opportunities arise, this also includes improving our position in a market by relocating or replacing stores. With a replacement store we recognize the benefit of a larger sales uplift than a standard remodel, without growing store count, with paybacks also taking a shorter time compared to opening a new store.

An example of this is at Giant Food, which opened a replacement store at South Lake Marketplace in Maryland. The store is a testament to community partnership. The store features premium offerings, like full-service meat and seafood departments, along with a coffeeshop and restaurant, creating a vibrant retail-recreation hub that benefits local residents and businesses.

As part of our plans to revitalize Stop & Shop, we communicated our intentions to deploy a more efficient use of capital to complete the remaining store remodels. Going forward, remodels are focused on making investments that will have the greatest impact on the in-store shopping experience combined with enhancements to the customer value proposition.

Under this way of working, Stop & Shop completed four remodels during the quarter and recently celebrated the remodel of the Framingham (Massachusetts) location. The store includes remodeled produce and bakery departments, expanded prepared foods, and over 800 new products, including additional multicultural assortments.

Moving to the next quadrant of our growth model, identifying innovation solutions and leveraging the power of AI and Data are both critical components that enable us to Innovate for Growth and Efficiency to drive our complementary income streams.

Again we have made good progress on this front during the quarter with several initiatives we believe can scale over time. Here are just a few examples:

- AD Retail Media in the U.S. has partnered with Inmar Intelligence to provide advanced in-store advertising solutions for CPG partners. This collaboration aims to enhance customer engagement by utilizing creative strategies to reach shoppers at key moments in their shopping journey. Inmar's measurement tools will enable CPG companies to assess the effectiveness of investments in advertising.
- Bol is piloting branded shelves for 50 selected advertisers, allowing them to customize content, branding, and product selection. This

initial version aims to gather insights on campaign performance and advertiser interaction, which will guide the broader rollout of the feature in May.

- Albert Heijn recently introduced ‘Steijn’, your smart helper in the kitchen which gives a face to the already existing “My AH Assistant”. Steijn makes it possible to naturally engage in conversation with moms, dads and children about all questions in the kitchen and will be given more functionality in the coming periods.

Healthy communities & planet is an important priority within our Growing Together strategy and we are committed to playing our role in the transition to a healthier and more sustainable food system. Every small change we implement makes a difference on a larger scale. I am proud that we achieved several important milestones already in this year:

- we successfully priced our third Sustainability-Linked Bond;
- we published our second Green Bond impact report;
- the Carbon Disclosure Project (CDP), a prominent global benchmark on environmental issues, recognized Ahold Delhaize progress in climate by upgrading our climate rating to A minus;
- And, we received validation of our scope 3 targets in line with a 1.5 degree scenario from SBTi.

That completes my review of our performance so far this year. I am confident our brands are taking the right steps, moving at the right pace, and leveraging the strong foundation and scale of our business supporting our customers and driving competitive advantage for our business along the way.

Now over to you Jolanda to talk more about the financials.

Jolanda Poots-Bijl
Chief Financial Officer

Thank you Frans and good morning to everyone.

Our performance in the first quarter highlights that we can deliver solid results in a volatile environment. These results are a reflection of how we are balancing our growth, investment and cost savings strategies in the U.S. and in Europe.

As you know, we have an ambitious growth plan. We want to grow faster than the industry, while maintaining leading margins and delivering sustainable earnings growth.

Our brands are well underway with the new strategy and we see a strong and positive response from customers for what we are doing.

- Net sales grew 5.0 percent to 23.3 billion euro. The closure of Stop & Shop stores and the cessation of tobacco sales in the Netherlands and Belgium negatively impacted net sales growth by 1.0 percentage points.

- Underlying operating margin was 3.8 percent. Strong performance and leverage in both regions was offset by planned strategic price investments in the U.S. and a decrease in insurance results at Ahold Delhaize Group.

Ahold Delhaize

- Diluted underlying earnings per share was 62 euro cents, up 4.6 percent, primarily driven by higher underlying operating profit, the impact from the share buyback program and foreign exchange rates, partially offset by higher financial expenses and income taxes.

Slide 20 shows our results on an IFRS-reported basis for Q1, which were in line with our underlying performance.

Q1 comparable sales growth were 3.3 percent, which includes a positive net impact of 0.4 percentage points from weather and calendar shifts and a negative impact of 0.5 percentage points from the end of tobacco sales in the Netherlands and Belgium.

U.S. comparable sales growth shows a positive net impact from calendar shifts and winter storms of 0.5 percentage points. In Europe, there was around a 1.1 percentage points negative net impact from tobacco and calendar.

Common to both regions comparable sales growth this quarter was a very strong performance in online sales, which increased 13.7 percent. Here we see that our investments in expanding our omnichannel infrastructure and enhancements to our digital loyalty programs are yielding strong results. In both regions, we are on a steady trajectory fueled by the fourth consecutive quarter of double-digit growth in online grocery.

To accommodate how U.S. consumers want to shop, our U.S. brands have expanded the accessibility of our same-day delivery options with additional click-and-collect locations, more timeslots, and partnering with DoorDash. Today more than 80% of our stores have a Click & Collect point while more customers are using either Doordash or Instacart. This was a major competitive advantage during the winter storms in early 2025, where our U.S. brands were well positioned to facilitate the rise in customer demand, contributing to record online penetration levels. Overall, omnichannel customers have grown nearly 25 percent year-over-year with high retention levels.

On top of scaling our capacity to serve omnichannel customers, we also continue to make steps to improve our utilization and e-commerce performance through innovation, AI and smart solutions. Albert Heijn's "Neighborhood Delivery Bundle" is an example of this. The bundle allows groceries to be delivered when the delivery person is already in the area, utilizing smart algorithms to coordinate delivery times. The technology boosts productivity, reduces CO2 emissions and helps Albert Heijn meet increased demand while customers save on delivery costs.

Now looking at the regional performance in more detail, U.S. net sales were 13.9 billion euro. Comparable sales excluding gas increased 2.6 percent excluding net weather and calendar impact, reflecting growing positive comparable sales momentum and positive volumes during the first quarter.

In addition to the net positive impact from calendar and weather, net sales were negatively impacted by the following:

- around 100 basis points from the impact of Stop & Shop closures

- around 20 basis points from a decline in gasoline sales

Online sales growth of 17.9 percent was a key highlight for the quarter with double-digit growth across most brands.

Underlying operating margin in the U.S. was 4.4 percent, down 30 basis points from the prior year due to price investments and a change in sales mix from increasing online and pharmacy sales.

In terms of brand momentum, Food Lion's impressive performance now shows 50 consecutive quarters of comp store sales growth. Equally impressive was Food Lion's online performance during the quarter with nearly 40 percent growth and over a percentage point increase in online penetration.

Food Lion continues to grow their footprint with the opening of a new store located north of Charlotte and plans to open an additional 5 stores throughout the year. Construction is also underway for the next round of omnichannel remodels, with 152 stores planned for the Charlotte market by the end of the year.

Food Lion's brand strength is a clear testimony of the strong connections the brand has with its communities. One remarkable achievement I would like to highlight is the Food Lion Feeds program, which started in 2014 and since then already handed out 1.5 billion meals. And they are not done, their new goal is 3 billion meals by 2032.

And it is these kind of initiatives that make me particularly proud of our people.

Turning now to Europe, sales were 9.3 billion euro, an increase of 10.1 percent. This is driven by the integration of Profi, which contributed 647 million euros, and the positive impact from comparable sales growth of 3.7 percent.

Net sales were negatively impacted by 0.8 percentage points from the change in operating model at affiliated stores in Belgium. We expect around a half of a percentage point impact for the second quarter and a minimal impact in the second half of the year.

Europe's comparable sales growth figure includes:

- a negative impact of 1.3 percentage points from the end of tobacco sales.
- a net positive impact of 0.2 percentage points from the calendar shifts for New Years and Easter.

Bol experienced double-digit sales growth during the quarter, driven by new opportunities with social commerce, and expanded offerings in Home Living and Appliances. A notable initiative is their partnership with a Belgian home renovation TV show, which showcases bol’s product assortment and inspires customers through dedicated pages on their website.

Underlying operating margin in Europe was 3.4 percent, up 30 basis points from the prior year. Strong performance in the Benelux region more than offset margin pressure in the CSE region. This includes the dilutive impact of integrating Profi, IMCA tax impact in Romania, and consumer pressures in Serbia.

Moving on to slide 26, Q1 free cash flow was 199 million euro, which represents a decrease of 178 million compared to Q1 2024. This was largely related to an increase in net investments relative to the prior year as we cycle the divestment of two meat facilities in the U.S.

That wraps up my financial review of Q1, and brings me to our Outlook.

Our teams have delivered a solid start of the year and our performance thus far in the second quarter has been reassuring.

Although there is additional volatility in the macro environment, with tariffs and fluctuations in exchange rates, we maintain our guidance for 2025.

To give you a clear framework to work with for your models, our EPS guidance reflects an average USD/euro rate of 1.10 for 2025.

With our strong market positions, our financial strength and the great foundational work we have carried out over the last few years, I am confident that we are well positioned to deliver on our Growing Together plans.

We will stay focused on doing the right thing for the long-term health and success of our business.

We will continue to serve and protect our customers providing a broad and healthy assortment with choice for all wallet sizes.

And we will leverage our strengths, keeping our own house in order, and ensure we stay well invested in our value propositions and growing our footprint.

With that, I thank you for tuning in and Sharon, please open the lines for questions.

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Cautionary notice

This communication includes forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Forward-looking statements can be identified by certain words, such as "anticipate," "intend," "plan," "goal," "seek," "believe," "project," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods.

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and other factors discussed in the Company's public filings and other disclosures.

Forward-looking statements reflect the current views of the Company's management and assumptions based on information currently available to the Company's management. Forward-looking statements speak only as of the date they are made, and the Company does not assume any obligation to update such statements, except as required by law.