Management's Prepared Remarks

Q2 2025 Earnings Call

August 6, 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 Q2 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, to make sure everybody on the call will have sufficient time. 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.

I am pleased to report another strong quarter for Ahold Delhaize as we sustained solid and consistent results and in some cases even accelerated growth across our network of great local brands.

It's now slightly more than a year since we introduced our Growing Together strategy. In this first year of our plan, we are focused on kick starting a period of accelerated growth rates and increased momentum.

As I reflect on how things are going to date, I am confident we are on the right path and that we have put in place the right balance of initiatives suited to winning in this type of environment.

When consumers are challenged, executing with clarity and consistency and getting the basics of retail right are critical. And we are in a great position to do just that, as we capitalize on the many years of maintaining and modernizing our capabilities.

So in that direction, there are three areas I would like to highlight today:

- how we are adapting our customer value proposition and product assortments so customers feel a positive difference as they shop with us every week;

- how we are capitalizing on our omnichannel capabilities to drive market share growth at a faster pace than the market;
- And thirdly, our focus on driving operational excellence in our store base and delivering cost savings across our operations to reinvest in growth.

Later, Jolanda will cover how our teams are investing in our long term opportunities to create future growth.

So starting with the first area around our customer value proposition. From our Growing Together strategy, you will know this is all about:

- Delivering trusted products at affordable prices
- Creating vibrant omnichannel customer experiences to strengthen loyalty.
- Sharpening our competitiveness to drive brand strength and securing our strong relative market positions.

As you know, we are backing this up with several investment commitments, including a 1 billion dollar price investment in the U.S. over the coming four years, own brand assortment expansion and digital personalization programs, just to name a few.

All of our U.S. brands have now launched price investments, while also strategically leveraging the strength of our own-brand portfolio. An example of this is at Hannaford. In May, the brand launched a strategic price investment across all stores in Massachusetts, lowering prices on approximately 2,500 center store own-brand products.

The initiative was bolstered by a targeted omnichannel marketing campaign and leveraged the strength of the Hannaford My Rewards loyalty program. The investment is showing promising results, with center store own-brand unit sales outpacing the rest of the store.

As a key differentiator, own-brand assortments are products that customers can only get in our stores. In our weekly customer data, we also know the power a well-executed own brand program has in driving customer loyalty.

While we already offer thousands of own brand products in both regions, what also matters is ensuring we continuously innovate; and that our own brand products clearly stand out (on shelves and in our marketing) for the quality and value they have been designed for.

So far this year, in the U.S., we have introduced 300 new own-brand products. And in Europe, we have added 170 new products for joint sourcing, including 100 products in the price favorite range.

All of our brands have seen year over year growth in own brand penetration. And in both regions, we are seeing own-brand sales growth outpace the rest of the store in both dollars or euros and units.

Moving to my next area of focus, I would like to start by acknowledging a key milestone that our brands already achieved during the first half of the year. On a fully allocated basis, we have reached e-commerce profitability.

This underscores the strength and scalability of our omnichannel model, which is key long-term in driving market share growth at a pace faster than the market.

Our improved online profitability has been driven by several key factors, including:

- our orientation towards less asset intense same-day delivery models, such as click and collect and third-party partnerships
- increasing fulfilment capacity
- automating operations, and
- leveraging retail media propositions.

More and more, customers are finding value in the convenience of our brands' omnichannel offerings. For the fifth consecutive quarter, our online grocery sales grew at double-digit levels.

This quarter, Food Lion completed its transition to PRISM, our inhouse developed and proprietary digital and e-commerce platform. PRISM enables faster, more tailored online shopping, helping customers easily find their favourite products. It also allows customers to activate digital coupons, re-order quickly and choose delivery or pick-up with ease.

Shortly, we will extend the platform to Hannaford, which completes the rollout of the technology to all ADUSA brands.

In Belgium, Delhaize is stepping up their e-commerce ambitions. During the quarter they opened a new distribution center in Vorst which doubles their ecommerce capacity. At the same time, they are taking steps to provide an even smoother customer experience by eliminating the fee to use the in-store pickup service. This makes the service accessible to as many people as possible.

It's not only existing customers who are drawn to the benefits of our omnichannel offerings. At Delhaize, around half of the new online customers come from outside its network, meaning people with no prior Delhaize experience discovering the brand through home delivery or in-store pick up. In the U.S., customers in our DoorDash channel grew 300 percent over the last year, with half of the growth coming from customers that had not shopped online with any of our brands before.

With e-commerce market share expansion in both regions, our strong omnichannel proposition will continue to be a differentiator for our brands as we look to densify and grow our markets.

Lastly, let me spend a little time on how our brands are driving operational excellence and delivering cost savings across our operations to reinvest in growth.

Starting with Stop & Shop. It has been one year since we announced decisive and deliberate actions to ensure a stable and thriving future for the brand. Since the announcement, we have:

- closed 32 underperforming stores,
- started price investments while regularly recalibrating based on customer response,

- continued store remodels focusing on a more efficient use of capital and a broader store reach,
- improved store execution and on-shelf availability,
- and deployed communication tactics to maximize customer awareness and emphasize own brands.

We are encouraged by customers' response to the initiatives we have implemented thus far. Where we have made investments:

- we are attracting new customers
- seeing increasing volumes, and
- seeing an improving net promoter score.

While we are celebrating wins, we continue to focus on executing the plan, driving sales, and finding sustainable and substantial efficiencies. This includes a strong focus on supply chain optimization as well as maximizing promotional effectiveness. In the second half of the year we will expand our price investments to additional markets, further optimize our assortment, and continue our store remodels.

We are also making good progress with the integration of Profi, which will significantly contribute to our revenue growth ambitions in Europe and strengthened our market position within Romania.

Work is progressing on the back end to fully integrate Profi into both our established footprint in Romania and the broader Central and Southeastern European region. Within Romania, Mega Image and Profi are exchanging best practices. This enables both brands to learn from each other's operational strengths and accelerate collective growth, while maintaining their distinct identities and commercial focus.

While integration work continues, our local Profi teams remain committed to their local mission: serving both urban and rural communities through a diverse portfolio of store formats that cater to the varied shopping needs of customers. So far this year, Profi has opened over 20 new locations and the brand is on track to open 100 by the end of the year. And they continue to set new record highs for number of weekly visitors and weekly sales.

More broad based, we are also well on track to hit our goals for Save for Our Customer, as both our regions continue to work on leveraging our scale and synergy potential.

So that completes my review of our performance.

With our strong culture – known for its agility, consistency, ability to drive transformative change and commitment to sustainability – we are well prepared to navigate the complexities of the current business environment and position the company to drive brand strength and market share growth in the periods to come.

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.

While the environment we operate in remains dynamic, our Growing Together strategy keeps us focused and we are executing well towards our long-term ambitions.

Elevating the customer value proposition is at the heart of our strategy and a fundamental driver of the investments we are making.

We know that many customers continue to feel pressure on their household budgets. That's why these investments are not just strategic, they are also essential to delivering real value for our customers every day.

The good news is, we see the combination of all these initiatives is paying off. We delivered strong sales growth and positive volumes in both the U.S. and in Europe.

While investing consistently in our brands, at the same time, our teams have maintained a relentless focus on cost discipline and driving operational efficiency.

As a result, we are able to balance strategic price investments in the U.S. as well as the impact of the first year integration of Profi to maintain healthy and stable underlying operating margins.

Let’s have a look at the key underlying results for the quarter, as shown on slide 16.

- Net sales grew 6.5 percent to 23.1 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 1.2 percentage points.

- Underlying operating margin was 4.0 percent. Strong performance in the Benelux was offset by the first time consolidation of Profi and planned strategic price investments in the U.S.

- Diluted underlying earnings per share was 65 euro cents, up 0.7 percent at actual rates. This was primarily driven by higher underlying operating profit, the impact from the share buyback program and lower income taxes, partially offset by higher financial expenses and unfavorable foreign exchange rates.

Slide 17 shows our results on an IFRS-reported basis for Q2, which were 56 million euros lower than our underlying results primarily due to impairment charges on operating stores in the U.S. and restructuring costs related to the integration of Profi.

Q2 comparable sales growth was 4.0 percent, which includes a positive net impact of 0.8 percentage points from calendar shifts and a negative impact of 0.6 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 of 0.9 percentage points. In Europe, there was around a 0.9 percentage points negative net impact from tobacco and calendar.

Now looking at the regional performance in more detail.

U.S. net sales were 13.2 billion euro. Comparable sales excluding gas increased 2.6 percent excluding calendar impact, reflecting a stable comparable sales environment and positive volumes during the second quarter.

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

- around 110 basis points from the impact of Stop & Shop closures and
- around 40 basis points from a decline in gasoline sales

Online sales growth of 16.4 percent was a key highlight for the quarter. We continue to see strong customer response to our DoorDash partnership with growth in our Marketplace channel up over 30 percent.

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 online and pharmacy sales. While online sales is profitable on a fully allocated basis, it still continues to have a dilutive impact to the overall margin profile.

Turning now to Europe, sales were 9.9 billion euro, an increase of 13.4 percent. This is driven by the integration of Profi, which had an impact of 8.4 percent, and the positive impact from comparable sales growth of 4.9 percent.

Net sales were negatively impacted by 0.4 percentage points from the change in operating model at affiliated stores in Belgium. We expect minimal impact in the second half of the year.

Europe's comparable sales growth includes:

- a negative impact of 1.6 percentage points from the end of tobacco sales and
- a positive impact of 0.7 percentage points from the calendar shifts for Easter.

Bol enjoyed another very strong quarter, growing nearly 13 percent as they swiftly adapt to evolving customer trends. As shopping habits shift, bol has responded by adding carefully selected international selling partners and brands that live up to our high standards. So far this year around 300 international partners have been added to the platform. Bol has also expanded their refurbished range to 10 categories.

Underlying operating margin in Europe was 3.7 percent, in line with the prior year. Strong performance in the Benelux region was offset by the dilutive impact of the first year consolidation of Profi.

Moving on to slide 21, Q2 free cash flow was 517 million euro , which represents an increase of 139 million compared to Q2 2024. This was largely related to an increase of our net investments and improvements in net working capital from timing differences.

In today's world, technology is changing at lightning speed. Investing in technology and leveraging the power of AI is crucial to enable us to innovate for growth and efficiency. We are continuously looking to simplify our ways of working and technology is an important enabler.

Across the organization, we have more than 390 thousand associates who serve over 72 million customers weekly. We are investing in technology that helps streamline their tasks and enhance their daily work experience, so they can deliver exceptional service and contribute meaningfully to their communities.

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

- Most of our European brands have introduced AI-driven assistants, including MaxiGPT in Serbia, LionGPT at Delhaize, Albot at Albert and 'De Assistent' at Albert Heijn. Through the AI solutions, associates have the right information at their fingertips to help customers better and faster, while also making the associates' responsibilities easier and more enjoyable.
- After a successful pilot project, Albert is rolling out AI technology that helps cashiers quickly identify items without bar codes such as

baked goods, fruits and vegetables. A camera captures an image of the product and AI quickly identifies the product. The solution significantly reduces manual errors and waiting time, while simplifying the checkout process for associates.

- In the U.S. we have rolled out updates to our Spectrum proprietary technology to simplify and modernize order management for online fulfillment. Updates are focused on an improved, intuitive user experience for associates responsible for picking online orders.

Our investments, both internally and externally, underscore our commitment to technology investments across both consumer-facing and back-office solutions. These investments enable our brands and our associates to serve customers better every day.

Another area where I am proud of the progress we are making is on our ambition to increase healthy food sales.

Our brands are committed to offering the right assortments, making healthier and more sustainable options both affordable and accessible. We strive to guide customers and communities toward positive choices that help them live healthier and more sustainable lives.

A good example is Albert Heijn's introduction of new blended products, combining animal- and plant-based ingredients. These products offer a familiar taste and texture, improved nutritional value and lower carbon foot print. This way, Albert Heijn is helping customers make more conscious choices.

Delhaize recently launched a “Color Your Summer” campaign. The campaign educates customers about the benefits of healthy eating as well as the cost advantages of seasonal products – both to your budget and the environment. Delhaize also continues to support healthy choices by offering a 10% discount on fresh produce through its loyalty program.

Our brands are at the heart of our communities, and I am confident we are taking the right steps to support the long-term health of those communities.

That wraps up my financial review of Q2, and brings me to our Outlook.

Our teams have delivered a strong first half of the year and our performance thus far in the third quarter is reassuring.

Therefore we reiterate our guidance for the full year:

- underlying operating margin of around 4 percent
- free cash flow of at least 2.2 billion euro
- gross capital expenditures of around 2.7 billion euro, and
- Diluted underlying EPS growth at a mid-to-high single digit rate based on an average euro to U.S. dollar exchange rate for the full year of 1.10. Diluted underlying EPS results at actual rates are subject to dollar volatility.

As we look to the remainder of the year, while we are happy with the early momentum in our company performance, we have ambitious targets and we will continue to invest diligently to spur momentum through the holiday season and into the new year.

Our teams, in the US and Europe, remain laser focused on harnessing the strengths of our own great local brand portfolio – delivering high quality products, driving innovation, and ensuring low prices – to create compelling value that resonates with our customers.

I am confident that our focus on striking the balance between investing in growth and unlocking opportunities to drive operational excellence will continue to create value and increasing shareholder returns over time.

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

[END]

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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