Management's Prepared Remarks

Q4 2025 Earnings Call

February 11, 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 Q4 and Full Year 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. There, we provide 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.

In 2025, we operated in a rapidly shifting environment. Frequent and unpredictable government policy , pockets of inflation volatility, and rapid advances in AI and technology.

In that context, being a consistent and trusted partner for customers, associates and all of other stakeholders matters more than ever.

As you will have seen in our release this morning, I'm proud to say we are delivering on our Growing Together commitments and are well-positioned for what lies ahead.

Our execution through the holiday season is a great example of how our growth model is coming together, allowing us to finish the year on a high. For the full year, net sales increased 5.9 percent while comparable sales excluding gasoline increased 3.2 percent. We delivered a healthy underlying operating margin of 4.0 percent, diluted underlying EPS growth of 7.8 percent as well as strong free cash flow allowing us to increase shareholder returns.

In grocery, success is never driven by only one thing — it's the result of many details coming together, and that on an every day's base. As our capabilities mature and integrate, our execution in turn is becoming more connected.

The backbone of this is:

- the flexibility we have created in our ecosystem to deploy scaled, yet locally tailored solutions,
- the resilience of our local value propositions and brand personalities,
- and the disciplined execution driven by aligned teams with a strong culture of ownership and accountability that underpins the Growing Together strategy.

So let me unpack this in a little more detail with some practical examples.

First starting with the customer, let's talk about strengthening customer value through Trusted Products.

Across our markets, our local brands invested in price and value by lowering prices and broadening own-brand assortments in key daily needs.

In the U.S., we had our first full year investing towards a total of one billion dollars in price investments over those four years.

At the same time, we strengthened our own-brand assortments, adding 1,100 new products in the U.S. and 1,450 in Europe.

In Europe, where own-brand penetration is close to 50 percent, our assortments are a clear competitive advantage. Over the past year, we expanded collaboration through our AMS buying alliance and this delivered quality improvements while also generating cost savings, with further expansion planned into 2026.

These efforts are truly resonating with customers. Own-brand growth continues to outperform the rest of the store, with group-level penetration reaching 39.8 percent, reflecting strong appreciation for quality, health, value and innovation.

The next core block is Vibrant Customer Experience, covering every interaction between our brands and customers — in stores, online and through services.

Customers increasingly expect convenience, personalization and seamless integration across channels. In the U.S., we completed the rollout of PRISM, creating a unified digital backbone for personalization at scale as it enhances opportunities in advertising and retail media. This enabled us to reach around 32 million customers and deliver 14 billion personalized offers in 2025.

Customers are also responding positively to our shift toward same-day delivery and partnerships with DoorDash and Instacart, with additional partnerships planned. Together, these initiatives strengthen relevance, convenience and loyalty across channels.

In addition, in 2025 we opened 220 new stores and remodeled more than 450 locations, maintaining a modern, healthy and attractive store fleet. As a result, we have strengthened our number one or two positions in most of the markets where we operate.

Another factor which is unlocking compounding opportunities for us is Driving Customer and Business Innovation, where digital, data and AI are increasingly powering both customer value and performance.

Technology and AI represent a growing share of our 2.7 billion euro in annual capex. We are applying these capabilities across our ecosystem — improving availability and forecasting, enabling AI-assisted customer journeys, and scaling predictive and visual intelligence solutions.

These investments, combined with our focus on local, store-first fulfillment and a more asset-light operating model, are yielding good results. Online sales grew 12.9 percent, led by 22.8 percent growth in the U.S. Food Lion had a standout quarter with over 35 percent e-commerce growth and a two-percentage-point increase in penetration. With the recent closure of six e-commerce fulfillment facilities, we have now completed the shift to our store-first operating model.

In the Netherlands, the Albert Heijn app plays an essential role in daily life for millions of consumers. Supported by generative AI, the app is becoming more personalized, multilingual and intuitive, making it easier for customers to plan meals, manage rewards and discover inspiration and new recipes.

At bol, we continue to innovate across the end-to-end journey. AI-powered features such as Gift Finder and Spot & Shop are increasing engagement and reach.

By combining rich shopper insights with impactful campaigns, bol was named the number 1 retail media publisher for the second year in a row in the Netherlands.

Retail media, as you know, is an increasingly important growth machine for the company. A key strength is our ability to build once and scale across brands. With one global retail media platform, we can deploy new solutions quickly across markets while tailoring execution locally.

So, with strong capabilities in place, growth now is more about culture rather than capability, which you can see in our people decisions. Good examples here are Margaret's move from bol to Albert Heijn, or Keith's broader remit in the U.S. as chief commercial AND digital officer. Both Margaret and Keith bring deep retail media and technology expertise into grocery, also understanding the importance of developing best in class digital offerings and boosting capabilities across the commercial value chain through the power of AI. This reflects our belief that a win at one brand is a win for all our brands — and that scaling talent and capabilities is just as important as scaling technology.

Let me now turn to shaping our portfolio to drive growth and excellence, where disciplined portfolio decisions and operational execution work hand in hand.

In Europe, we welcomed Profi at the beginning of 2025, establishing a strong platform in Romania for future growth. Throughout last year, Profi opened 70 new stores, marking the start of a promising growth trajectory.

At Albert Heijn, we opened 19 new stores and launched a major refresh of the Fresh Square concept in more than 500 locations, responding to growing demand for convenient, nutritious food solutions. In Belgium, we recently completed the acquisition of Louis Delhaize, adding 303 stores and expanding our presence in convenience in 2026.

As the largest food retail group on the U.S. Eastern Seaboard, we see meaningful runway in a still fragmented market. In a region where supermarket volumes declined in 2025, we delivered positive volumes by leaning into price, own brands and omnichannel convenience.

In the U.S., Food Lion launched 153 remodels and started construction on 93 remodels in the Greensboro market which will be launched later this year. Stop & Shop remodeled over 30 stores, deploying an efficient use of capital, progressing on their revitalization plan.

As part of this plan, Stop & Shop improved store standards, service and value perception. Price investments now cover more than 65 percent of the fleet, supported by stronger own brands, new marketing and in-store signage, upgraded stores and improved execution. Through the combination of these efforts, we have seen steadily improving trends in comparable sales growth (including volume growth by the way) and in our net promoter score (or NPS). Especially encouraging are the year-to-date improvements in “value for money” and “ease of shopping”, showing the holistic nature of Roger and his team’s revitalization efforts.

Finally, let me spend a moment on healthy communities and planet because we believe the everyday choices we all make do matter.

As a family of great local brands, we are ambitious about the measurable impact we can have – striving to make healthier options more accessible and affordable, supporting the natural systems that make food possible, and reducing waste across our value chain.

An important part of this – something we don't often talk about – is our U.S. pharmacy business, which plays a growing role in customer trust, health access and loyalty.

Millions of customers use our pharmacy services, placing them among our most engaged shoppers, with the majority of them being primary customers. With ongoing drugstore closures, our pharmacies also provide an important access point for health services in their local communities.

Under the Inflation Reduction Act, Medicare prices will come down for ten high-cost drugs. From a financial perspective, Jolanda will share additional figures as part of the 2026 outlook, which for all intents and purposes is a technical change for us. More importantly, for many customers this provides meaningful financial relief, potentially freeing up spending for other everyday needs.

As we leave 2025 behind, we can be proud of the progress achieved and the strong foundation built in the first year of Growing Together.

Our strategy has been pressure-tested, our capabilities are evolving, and our teams are operating in a strong rhythm which is delivering compounding results. We are carrying this momentum into 2026 with confidence in our execution, our portfolio and our ability to continue creating value for customers, associates, communities and of course shareholders.

With that, I will now hand over to Jolanda for more detail on our financial performance and outlook.

Jolanda Poots-Bijl
Chief Financial Officer

Thank you, Frans, and good morning everyone.

Our performance underlines the resilience and flexibility of our brands to deliver, also in dynamic market conditions.

It is a good reflection of how we are balancing our growth, investment and cost savings strategies in the U.S. and in Europe whilst remaining laser focused on creating the best customer value proposition for every wallet.

Our growth model is built on a simple and repeatable cycle.

That cycle is anchored in the strength of our local brands, our leading omnichannel capabilities, and a customer value proposition that resonates. By combining sales-led growth with disciplined cost control and thoughtful capital allocation, we can invest in price, convenience and digital while maintaining strong free cash flow and returns.

Let’s dive deeper into the numbers.

- Net sales grew 6.1 percent to 23.5 billion euro in Q4, and 5.9 percent to 92.4 billion euro for the full year. Driven by strong comparable sales, both in the U.S. and Europe, portfolio expansion including Profi, and continued growth in omnichannel.

- Q4 comparable sales were 2.5 percent, which includes a negative impact of 0.1 percentage points from weather and calendar shifts and a negative impact of 0.2 percentage points from the end of tobacco sales in Belgium.

- Online sales grew 12.9 percent in Q4 and 13.3 percent for the full year, reflecting strong momentum in online grocery across both regions.

- Underlying operating margin was 4.2 percent in Q4 and 4.0 percent for the full year. Strong U.S. performance more than offset headwinds from Serbia pricing regulation and first-time integration of Profi.

- Diluted underlying earnings per share was 73 euro cents in Q4, up 11.9 percent and 2 euro and 67 cents for the full year.

Q4 IFRS operating income was 899 million euro, corresponding to a 3.8 percent margin. IFRS results were 96 million euro lower than underlying, mainly due to impairment charges related to the strategic shift to a local, store-first omnichannel fulfillment model in the U.S.

For the full year, IFRS operating income was 3.5 billion euro, representing a 3.8 percent margin. The 192 million euro difference versus underlying was largely driven by:

- portfolio optimization actions, including the shift to a store first model in the U.S.
- and the acquisition and integration costs related to Profi.

These actions reflect disciplined portfolio management aligned with our strategy.

Operational excellence remains a core enabler of our Growing Together strategy.

Through our family of great local brands, we leverage scale to combine sourcing power, and scale tech to deliver local impact in a simpler, smarter and more seamless manner. Unlocking new efficiencies through automation and innovation. In 2025 we delivered nearly 1.3 billion euro in Save for Our Customers savings, in line with our ambition for the year.

These savings are reinvested with discipline — into price, technology, store upgrades, and sustainability initiatives. Increasing value for customers, creating free cash flow, and returns. This also includes investments in growing complementary income streams such as enhanced personalization and support services for brand partners, creating a capital-light revenue stream. With double-digit growth in 2025, we are making good progress towards complementary income of around 3 billion euro by 2028.

Let's now take a closer look at our regional performance.

On Slide 21, for your convenience, we present the impacts of weather and calendar over the last quarters by region.

U.S. net sales were 13.0 billion euro. Comparable sales excluding gas increased 2.7 percent driven by continued growth in online and pharmacy sales. The cycling of hurricane Helene had a negative impact of approximately 20 basis points.

Online sales growth reached an excellent 22.8 percent for Q4 versus last year, driven by strong performance across all our brands. The combination of our delivery speed, customer reach, and extensive assortment, enabled by our strategic shift to same-day delivery and ongoing partnerships with DoorDash and Instacart, is what wins over customers.

Underlying operating margin in the U.S. was 4.7 percent. The margin outperformance was driven by higher sales leverage, improvements to our online margins, the positive impact from a shift in category mix, and lower shrink levels which more than offset price investments and the dilutive impact from ongoing growth in pharmacy sales.

Last October, we announced plans to develop a state-of-the-art DC in North Carolina. This investment adds capacity and automation in a key growth region. It improves efficiency and service levels and supports the long-term needs of our local brands, including Food Lion. As you all know, Food Lion has been on impressive trajectory of growth with Q4 marking the 53rd consecutive quarter of growth.

In Europe, Q4 trends were in line with the prior quarter. Net sales were 10.5 billion, up 11.2 percent, partly due to the Profi acquisition, an increase in comparable sales of 2.4 percent and new store openings. Comparable sales had a negative impact of 50 basis points from the cessation of tobacco sales in Belgium and calendar shifts. In Q4, online sales increased by 6.6 percent, driven by double-digit growth at Albert Heijn.

The strength of our European brands, their ability to adapt in complex conditions, and their relentless focus on cost savings allowed us to deliver an underlying operating margin of 4.1 percent. This was slightly better than anticipated considering the headwinds from the sudden government decree and intervention on the limitation of prices in Serbia.

Some of the brand highlights of the quarter include:

- Albert Heijn reaching a record market share of 38.2 percent for the year.
- Delhaize Belgium completing its transformation and expanding in convenience
- CSE brands, particularly Romania, demonstrating resilience and readiness for renewed growth
- At bol, Q4 capped a strong year with high single-digit growth, record Black Friday sales, and 70 basis points of market share gains, as the brand successfully countered increased competition from Amazon and Chinese players. Full-year underlying EBITDA increased to 207 million euro, driven by advertising growth and cost discipline.

Moving now to cash flow

Free cash flow was 1.5 billion euro in Q4 and 2.6 billion euro for the full year. This exceeded our guidance for the year and is, in part, a reflection of the strong holiday period and solid Q4 performance. Additionally, our gross capex spend was lower than our original guidance for the year due to the timing of new store openings as well as the finalization of our project plans around the construction of the new Food Lion distribution center.

Given the overall performance, I am pleased to announce our proposal to increase the dividend for 2025 by 6 percent to 1 euro and 24 cents per share. This reflects our stated ambition to sustainably grow dividend per share and generate strong shareholder returns. To that end we also initiated a 1 billion euro share buyback program for 2026 earlier this year.

Finally, let me also add some insights to Frans' comments on our Healthy Communities and Planet priorities.

Through our Trusted Products, we are making healthier and more sustainable choices easier and more affordable. We do this by improving nutritional value, increasing transparency, and using data and insights to guide customer choices.

In 2025, the percentage of own-brand healthy food sales was 52.1 percent. Like for like, we improved with 40 basis points compared to 2024 as our CSE region implemented the Nutri-Score methodology changes in 2025.

Our total tons of food waste per food sales decreased 39.1 percent versus the 2016 baseline. This is a 4.4 percentage point improvement versus 2024, driven by smart sourcing, better inventory management and more donations.

CO2-emissions in our own operations decreased 39.1 percent versus our 2018 baseline, which is an improvement of 3.4 percent versus last year mainly driven by the installation of more sustainable refrigeration systems.

Virgin plastic in own brand packaging decreased 10.9 percent versus 2021, which is an improvement of 0.8 percentage point versus last year, as our brands were able to increase the percentage of recycled content in our own brand product packaging.

This progress reflects a true company-wide effort and something that deeply matters to our people — it is embedded in how we operate and is why Healthy Communities & Planet remains a key priority for us.

Now turning to our guidance for 2026.

First, a few specific items to reflect in your 2026 models:

- The Inflation Reduction Act will reduce U.S. pharmacy sales by approximately 350 million dollars, with no impact on underlying profit.
- The Delfood acquisition, is adding over 200 million euro in European sales.
- And 2026 includes a 53rd week, which is expected to add 1.5 to 2 percent to net sales and 2 to 3 percent to underlying net income from continuing operations, with no significant impact on operating margin.

Our outlook reflects a disciplined approach to maximizing returns while maintaining flexibility. We expect:

- Underlying operating margin of around 4 percent, with limited downside expected given our strong operating momentum and the good start to the year,
- Mid- to high-single-digit EPS growth at constant rates
- Free cash flow of at least 2.3 billion euro
- Gross capex of approximately 2.7 billion euro

While we do not provide quarterly guidance, some phasing effects should be expected during the year as we flow investments in line with real-time trading conditions, allowing us to stay sharp, calibrate actions iteratively as new learnings emerge, and remain flexible to market developments — including macroeconomic and geopolitical uncertainties such as Serbia.

For 2026, you can therefore expect:

- A persistent focus on value for customers
- Continued growth of own brands
- Disciplined investment in stores, logistics, and digital
- And a relentless focus on costs and cash flow

This is how we operate: consistent, disciplined, and delivering compounding results.

With that, I will hand back to Frans for closing remarks.

Frans Muller

President, Chief Executive Officer

Thank you very much, Jolanda.

As you have heard and as you have seen, our strategy is now fully in motion.

The focus ahead is simple: doing more, even better.

We have spoken today about many of our capabilities, but in an industry like ours, one of the most powerful — and often underestimated — is Thriving People being connected to their communities.

The partnership between our brands and the communities they serve is as important an asset as scale or technology or algorithms. This proximity to our customers, listening carefully, learning continuously, and adapting quickly to what matters most to them in their daily lives, is therefore really the oil that makes the ecosystem run smoothly. Therefore also a big compliment to our teams for a remarkable result in 2025.

Behind that, everything we do is within the framework of a clear operating reality: we remain laser-focused on costs, disciplined in how we allocate capital, and deliberate in sequencing investments so that growth is funded, repeatable, and resilient.

This is how we create value every day for customers, associates, communities, and shareholders, and why we enter 2026 with confidence.

With that, thank you for your attention and Sharon, please open the lines for questions.

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.

Forward-looking statements are subject to risks, uncertainties and other factors that are difficult to predict and that may cause the actual results of Koninklijke Ahold Delhaize N.V. (the "Company") to differ materially from future results expressed or implied by such forward-looking statements. Therefore, you should not place undue reliance on any of these forward-looking statements. Factors that might cause or contribute to such a material difference include, but are not limited to, risks relating to the Company's inability to successfully implement its strategy, manage the growth of its business or realize the anticipated benefits of acquisitions; risks relating to competition and pressure on profit margins in the food retail industry; the impact of economic conditions, including high levels of inflation, on consumer spending; changes in consumer expectations and preferences; turbulence in the global capital markets; political developments, natural disasters and pandemics; wars and geopolitical conflicts; climate change; energy supply issues; raw material scarcity and human rights developments in the supply chain; disruption of operations and other factors negatively affecting the Company's suppliers; the unsuccessful operation of the Company's franchised and affiliated stores; changes in supplier terms and the inability to pass on cost increases to *prices; risks related to environmental, social and governance matters (including performance) and sustainable retailing; risks related to data management and data privacy; food safety issues resulting in product liability claims and adverse publicity; environmental liabilities associated with the properties that the Company owns or leases; competitive labor markets, changes in labor conditions and labor disruptions; increases in costs associated with the Company's defined benefit pension plans; ransomware and other cybersecurity issues relating to the failure or breach of security of IT systems; disruption from developments in artificial intelligence or inability to realize related benefits; the impact of adverse publicity or operational disruption related to activism or negative media coverage; the Company's inability to successfully complete divestitures and the effect of contingent liabilities arising from completed divestitures; antitrust and similar legislation; unexpected outcomes in the Company's legal proceedings; additional expenses or capital expenditures associated with compliance with federal, regional, state and local laws and regulations; unexpected outcomes with respect to tax audits; the impact of the Company's outstanding financial debt; the Company's ability to generate positive cash flows; fluctuation in interest rates; the change in reference interest rate; the impact of downgrades of the Company's credit ratings and the associated increase in the Company's cost of borrowing; exchange rate fluctuations; inherent limitations in the Company's control systems; changes in accounting standards; inability to obtain effective levels of insurance coverage; adverse results arising from the Company's claims against its self-insurance program; the Company's inability to locate appropriate real estate or enter into real estate leases on commercially* *acceptable terms; 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.