



Management's Prepared Remarks
Q3 2024 Earnings Call
November 6, 2024

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

Thank you operator, and good morning everyone.

I am delighted to welcome you to our Q3 2024 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.

I am pleased to report that our performance has continued to be solid and consistent in the third quarter.

In a dynamic market environment, the quality of execution is extremely important. And as I reflect on where we are with our business, I am encouraged by the opportunities we are creating for future growth, while at the same time, staying focused and not taking anything for granted.

Maintaining deep and close relationships with our customers is at the heart of our approach. With more than 7,700 stores, 16 great local brands, 400,000 people – our track record of customer centricity, innovation, reliability, community and connection – has yielded strong #1 and #2 positions in the 9 countries we operate in.

On that note, I would like to thank all of our associates for their dedication and commitment to serving their local customers and communities, particular in times of need. The devastating floods in the Czech Republic, wildfires in Greece and the disruption and destruction caused by Hurricane Debby and Helene in the southeastern U.S. had a tremendous impact on the affected communities. And also in communities where we source products, , like we saw in the Valencia region last week, these events are now becoming more sudden and unexpected.

I am proud of our brands for their immediate responses and hard work to support disaster relief, with for example:

- Food Lion donating 3.8 million dollars and over one million pounds of product and food to support impacted communities and to address recovery and rebuilding efforts,
- Albert in the Czech Republic sending six truckloads of humanitarian aid to be distributed through food banks and directly to crisis centres in the affected area, and
- Alfa Beta in Greece supporting local authorities, fire brigades and volunteer fire fighters impacted by the wildfires in Northern Attica with product donations.

Events like these remind us of the vital role our stores play in the heart of their communities. And the strength of those close relationships contributes significantly to our consistent success as a business.

Speaking of success, I am encouraged by the strong progress we are making strategically and operationally. Managing a business with low top-line inflation and high cost inflation is a challenging task, and requires a lot of discipline.

Our track record of keeping our own house in order is a big advantage and certainly paying off. But the best remedy to any challenging environment is to focus even harder on your core growth levers. For us, that is our Growth Model, and this is exactly what we are doing as part of our Growing



Together strategy. So let me give you some color on that, and there are three areas I would like to focus on in my remarks today.

The first area is the holistic approach we are taking by building seamless platforms to drive our omnichannel customer growth ambitions.

We know for a fact, that an omnichannel shopper spends more with us in our most mature markets. And therefore, by infusing more life, and more content, and transforming our loyalty programs to lead with digital-first, we aim to drive omnichannel loyalty sales penetration to over 80 percent by 2028.

Advancing and leveraging our online fulfilment capabilities and our loyalty programs play a super key role here.

In Q3, our online sales increased 12.4 percent, excluding the divestment of FreshDirect, and this was driven by both new customer growth and strong customer retention across both regions.

In the U.S., we continue to see strong growth in both our click-and-collect and third party marketplace channels. And over the past 12 months, we have increased our click-and-collect locations by over 70 new locations and we are seeing a positive impact of our transition to native apps as conversion rates increased by almost 10 percent in the past quarter. In addition, U.S. customers are responding positively to our partnership with DoorDash; where we have seen 40 percent increase in the number of orders in Q3 compared with Q2.

In the Netherlands, Albert Heijn's online business, which has been one of the brand's growth drivers for many many years, experienced a step up in growth resulting in continuing double-digit sales growth..

To keep up with growing demand, Albert Heijn has increased customer accessibility through the strengthening of the logistics network and increased capacity at the Home Shop Centres. Our second mechanized Home Shop Center in Zwolle, in the Eastern part of the ecountry, is hitting or ahead of all its milestones enabling the brand to supply groceries to even more customers in the northeast of the Netherlands. With now 20 percent of our orders in the Netherlands being serviced in an automated way, I am excited that we have a strong recipe for success and can scale this part of our business in an efficient and sustainable way.

Albert Heijn's loyalty programme also continues to go from strength to strength. Albert Heijn has been on a great digitalization journey over the last years. And customers have noticed, and we have seen the number of monthly active users at AH increase to 4.5 million. Just today, Albert Heijn announced their next innovations to help customers by launching multiple inhouse developed Gen AI based solutions in the app. And the most impressive one is a Digital Gen AI assistant that helps customers answer the question "What's for dinner tonight?".

While growth from online is certainly exciting, another key growth lever which is proving very powerful for us is densifying and growing markets through a vibrant and modern store network.

Investing more in our winning propositions, introducing customer-focused upgrades like expanded product assortments, unlocking more efficiency in store operations and shifting more capital to our most profitable and more obvious growth opportunities are important parts of our growth philosophy and how we deploy capital.

In the U.S., Food Lion completed its 167-store remodelling program in the Raleigh-Durham market, bringing our latest omnichannel concept to one of the brands largest markets. This follows the Wilmington and Greenville markets which were already launched during 2023. And constructions on our 152 stores in the Charlotte market have now started and this project will be completed in the course of 2025. Raleigh-Durham and Charlotte are the biggest markets for Food Lion.

In Europe, year to date we have invested in 261 new stores and remodels. Our modernized stores in Europe offer an expanded ecosystem of integrated products and services that align with customers' evolving preferences, as well as featuring upgraded facilities with new cooling and heating installations. A few highlights include that for example:

- Albert Heijn celebrated the one-year anniversary from the moment the first Jan Linders stores joined the Albert Heijn brand, with sales outperforming expectations.
- Alfa Beta continued to expand their franchise network with the acquisition of another six stores from a local chain.

- And last but certainly not least, in Belgium, Delhaize has finalized the store transitions that were part of its Future Plan, with the last store, number 128, converting this week.

I would like to thank all the affiliates and associates in Belgium for their support and hard work over the past 18 months. The entrepreneurial mindset of our affiliates combined with the expertise of associates is a strong combination.

Customers vote with their feet, and the results so far from the transitions are very strong. Stores that have been converted for a year or more and experienced double-digit growth in sales compared to pre-conversion and many of the converted stores are already reaching the performance levels initially forecasted for their second, third or even fourth year. This is also confirmed by the strong market share recovery, with market shares for Delhaize recovering to well above pre announcement levels.

Finally on page 12, the third aspect I would like to highlight today is the pace at which we are attacking some of the medium to longer-term opportunities we are working to unlock with our new strategy. A first good example is Stop & Shop.

At Stop & Shop, last weekend we completed the closure of the 32 underperforming stores we previously announced in July. The team also did a very good job in limiting the non-recurring pre-tax financial impacts on our 2024 IFRS results by finding good solutions and some of which are with other industry players.



With the project now behind us, the team under the leadership of Roger Wheeler is moving forward with our revitalization strategy including further stepping up price investments as previously outlined in May at our Strategy Day.

For example, Stop & Shop recently announced a number of changes to improve its shopping experience starting with all 25 stores in Rhode Island.

These actions include lowering every day, regular prices on thousands of items across national and private brand products. On average, customers will benefit from reductions in pricing of 3,500 products.

This step forward in Rhode Island builds on top of price investments that we started earlier this year, as we rolled-out store-wide price investments at selected stores in targeted markets, combined with new in-store marketing concepts, to bring these changes prominently to life. Although we are in the first phase of the campaigns, customer's feedback is positive with volumes beginning to trend better at locations where interventions have been made.

Another good example of unlocking our medium-long term potential with Growing Together, are the opportunities contained in our growth driver "Innovate for Growth and Efficiency".

With our Growing Together plan we committed to increasing the share of investments towards for example:

- Accelerating innovation capability;
- Accelerating existing business models; and
- Developing new business models for B2C and B2B customers.

Let me give some examples of some of the new things we launched in the quarter:

- Ahold Delhaize USA now offers enhanced in-store audio solutions to further empowering consumer packaged goods partners to engage customers with personalized, real-time messaging to create a multi-sensory in-store experience.
- We announced the expansion of our technology studio, AD/01, in Romania with the opening of additional offices. And this is accompanied by the recruitment of another 30 employees as part of a team dedicated to innovation in web and mobile app development, ecommerce, data loyalty systems, promotions and core retail solutions.
- Bol has built its own tool for advertisers on their platform putting them fully in control of everything around sponsored products. And this helps to solve customer problems faster, delivering more value for our advertisers, shoppers and the organization.
- And lastly, Albert Heijn further developed their dynamic markdown technology to include non-perishable products. And this is a perfect example of how our investments in technology and innovation can contribute to multiple aspects of our growth strategy. And with the technology we are able to:

- Strengthen our customer value proposition by providing customers access to quality products for a low price,
- Support our commitment to reducing food waste, and
- Contribute to our annual Save for Our Customers program giving us the ability to invest back into our business.

While there is still plenty of hard work ahead to deliver the full potential of our strategy, 2024 is giving us a good start for the road ahead. With solid year-to-date underlying results, we will continue to keep a good pace of investment in the fourth quarter to drive momentum into the new year.

And at the same time, we will remain agile and will continue to be prudent as we balance our short-term goals with our long-term aspirations.

As I said in my opening, in our line of business it is all about QUALITY execution. Quality sales. Quality brands, Quality customers and of course – Quality people. And this is what we believe in as a management team at Ahold Delhaize.

As a final note for today, I would like to welcome Claude Sarrailh who joined our management board as CEO of Europe & Indonesia on October the 1st. Claude brings a lot of energy and experience to the team at an exciting and interesting time for our European operations.

With that, over to you Jolanda to share more about the financials and outlook for the remainder of the year.

Jolanda Poots-Bijl
Chief Financial Officer

Thank you Frans and indeed good morning to everyone.

We are committed to sustainable value creation with our Growing Together strategy - which is rooted in our purpose, fueled by our growth model and enabled by our strategic priorities.

Frans shared a lot today about how we are building and creating opportunities to drive a quality top-line. And this will also benefit a quality bottom line.

Our third quarter performance gives a good indication of how we balance the varying needs of our businesses through the blend of growth and self-help opportunities to leverage our scale and drive synergies.

Keeping our fingers firmly on the pulse of the customer is key to this. While inflation rates have stabilized in both the U.S. and in Europe, value remains a key driver of customer behavior. Here, we continue to be proactive on many fronts such as:

- increasing price investments based on the needs and opportunities of our brands to win against their specific competitive sets,
- introducing more effective, well-timed promotions that make it easier for our customers to maximize their wallet,
- transforming and leveraging our loyalty programs, and

- updating our Own Brand offerings with new products, redesigned packing and food innovations.

And our efforts are paying off - with the fourth consecutive quarter of positive volumes in Europe and positive volume trends beginning to materialize at several of our brands in the U.S.

Let's have a look at the key underlying results for the quarter, as shown on slide 17.

- Net sales grew 1 percent to 22.0 billion euro benefitting from positive comparable sales ex gas and net store openings. The end of tobacco sales in the Netherlands and the divestment of FreshDirect impacted net sales by 1.9 percentage points.
- Group online sales increased by 5.1 percent. Double digit growth numbers at most of our brands, were negatively impacted by 7.3 percentage points from the divestment of FreshDirect.
- Group underlying operating margin was 3.9 percent, a 10 basis points improvement compared to the last year. Driven by continued improvement in our European businesses and stable performance in the U.S. partly offset by lower insurance results within the Global Support Office due to the impact of lower interest rates.
- Diluted earnings per share was 62 euro cents, up 7 percent. To date, we have bought back 27 million shares for a consideration of 761 million euro, in line with our one billion euro annual plan.

Slide 18 shows our results on an IFRS-reported basis for Q3.

IFRS results were 272 million euro lower than the underlying results, largely due to costs associated with:

- the closure of Stop & Shop stores as announced in July, and
- the transition of stores as part of the Belgium Future Plan.

In July, we announced the first major step for the next phase of our Stop & Shop revitalization, with the planned closure of underperforming stores.

The impact to the third quarter performance was:

- A 38 million dollar reduction of sales as operations were ramped down as part of the closing process; and
A non-recurring pre-tax charge of 136 million dollars (which is below the range that we originally estimated as explained by Frans)

Moving on, on slide 19, you see comparable sales growth by region including and excluding weather, calendar and other effects. This shows a positive net impact from calendar and weather of 0.5 percentage points in the U.S., related to the timing of 4th of July and the net impact from hurricanes. In Europe, there was around a 3.3 percentage points negative impact from tobacco.



Looking at the regional performance. In the U.S. net sales were 13.5 billion euro, down 0.1 percent. In addition to the calendar and weather impact, net sales were impacted by:

- around 100 basis points from the divestment of FreshDirect
- around 30 basis points from a decline in gasoline sales
- around 25 basis points from a recall of Boar's Head deli products

We realized strong growth of our online sales of 15.3 percent, adjusted for the impact of FreshDirect and supported by Food Lion, Hannaford and The GIANT Company.

Underlying operating margin in the U.S. was 4.2 percent, up 10 basis points. The positive impacts from margin mix including the divestment of FreshDirect, was partially offset by higher labor costs as well as increased price investments.

We also are encouraged that our shrink mitigation methods, like refining our supply chain process and the deployment of new technology in the stores, are having a positive impact resulting in stable shrink levels during the quarter.

As we look to the fourth quarter, we will continue to invest in our customer value proposition and build on the price investments we have already made. We expect that, with these investments, the margin profile for Q4 in the U.S. will be at least at the level of Q3.



This ensures we are well positioned with our U.S. brands for the upcoming holiday period, with many great holiday offerings of our local brands such as The GIANT Company's promotion where a family of six can serve a Thanksgiving dinner for under 20 dollars.

In Europe, strong growth rates and market share gains in the Netherlands and Belgium have continued. Net sales were 8.5 billion euro, up 2.6 percent. Net sales were negatively impacted by the 3.3 percentage points from the end of tobacco sales at supermarkets in the Netherlands.

While the conversion of our own Delhaize stores to affiliates has an impact on net sales of around one percentage point, this was fully offset by an increase in sales at the converted stores from, for example, the additional sales coming from Sunday openings.

Online sales in Europe increased by 10 percent, with particularly strong double-digit growth at Albert Heijn. At bol, online sales were 0.7 billion euro, up 6.1 percent. Frans already outlined some of the big examples driving our strong online performance. And as you can see with further examples on Slide 21, all of our brands are actively executing with a customer-centric digital-first mindset as they look to drive higher engagement and monthly active users to over 30 million by 2028.

Finally on Europe, underlying operating margin in Europe was 3.9 percent, up 50 basis points. This was mainly driven by the strong performance recovery in Belgium.

Over the past 18 months, our European brands have done an excellent job rebuilding the margin profile in the region. This was a challenging task while being confronted with a very dynamic inflation environment.

Our market share gains during this period also demonstrate that our customer-centric approach has paid off. We have a strong business in the region. And under Claude's leadership, we have a lot to look forward to in the coming years from a growth and profitability perspective.

On the short-term horizon, we look forward to the acquisition of Profi, and expect an update in November from the competition authority.

Moving to cash flow, our results in the quarter and year-to-date performance is consistent with our goals for the year. On slide 22 – Q3 free cash flow was 535 million euro, which represents an increase of 23 million compared to Q3 last year, with a solid increase in operating cash flow limiting the impact of timing differences in working capital compared to the prior year.

Finally, let me spend a few moments on our Healthy Communities and Planet priorities, on Slide 23 you can see some of the initiatives we have been focused on during the quarter. Our brands continuously work on the transition to a healthier and more sustainable food system by making the necessary changes within our own operations and across the value chain through close collaboration with our suppliers.



To this end, Ahold Delhaize USA has entered into various partnerships with suppliers to support regenerative agriculture, as recently with General Mills. This cooperation aims to decrease Greenhouse Gas Emissions in our value chain – the so called scope 3 emissions - and at the same time, has benefits for nature.

In the Netherlands, in addition to our very successful plant-based range AH Terra, at Albert Heijn is also increasing its ambitions in sales of organic products. Here, the ambition is to grow sales from organic potatoes, vegetables and fruit by 25 percent by 2026. Albert Heijn already has the largest organic assortment of regular supermarkets in the Netherlands, and the recent introduction of organic fresh packages will make shopping for these items even easier and more convenient.

As 2024 draws to a close, I am proud with how we are navigating this year and that we are in position to reiterate our guidance while at the same time keeping up the pace of investments to bring our Growing Together strategy to life.

I am also pleased to announce the continuation of our 1 billion euro annual share buyback program in 2025, which underscores our confidence in the strength of our business. Over the next months, our priority is to deliver a strong holiday season to carry momentum into the new year.

And with that, I would like to thank you for your continued interest in our company and Operator, 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. Such factors 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; 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; 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.