Management's Prepared Remarks

Q4 2024 Earnings Call

February 12, 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 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. 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.

Ahold Delhaize

Frans Muller

President, Chief Executive Officer

Thank you JP, and good morning everyone.

Reflecting on the year, I am proud of ALL that we have accomplished.

If I were to choose three words to summarize our year, it would be: Commitment, Consistency, and Clarity.

- Commitment – staying true to our values to deliver for our customers, every day;
- Consistency – sticking to our plans, realizing another year of strong underlying performance;
- and Clarity – being clear on where we are heading as a company through our Growing Together strategy.

Commitment starts with our people.

2024 has been a dynamic and disruptive year with a lot to deal with: inflation, volatility in commodities and supply chain, social and political tensions, and fast paced changes due to new technologies in how we work and how we live.

Creating value for customers, catering to their local circumstances and specific needs, continues to be a tangible differentiator for our business. For this, I would like to thank our passionate associates, for living our values, and their dedication to our performance-driven culture.

Moving to Consistency, this for me means sticking to our promises.
In 2024, we said you could depend on us for four things:

- A relentless focus on the customer, our price positioning and leveraging the strength of our great local brands;
- Continued advancement of our own-brand strategies, increasing penetration and category depth;
- Further simplification and modernization of our organization to sustain growth;
- And, as always, continuing to be laser focused on cost control and cash flow to reinvest in our customers and our company.

Looking at our scorecard, we were indeed consistent and achieved or exceeded all of our key goals for the year. At the same time, we also had room to kick start several Growing Together initiatives which will pay forward to 2025.

Finally, Clarity, which is ultimately the key to great execution.

In May and June we crystalized our gameplan and ambitions for the coming four years, building on our core strengths, and looking with an open mind to the future.

We have an ambitious growth plan where we want to grow faster than the industry, maintain leading margins, and deliver sustainable earnings growth.

Ahold Delhaize

I am particularly proud of how quickly our teams have stepped into our new strategy, with several action points already well underway. Let me share a few highlights in this respect.

The first area is investing in our winning CVP (the customer value proposition).

We want our customers to have vibrant experiences every time they interact with our brands, whether in-store or digitally, or at the intersection of the two. To that end we are elevating our digital solutions and also adding some “secret sauce” through AI and predictive analytics.

- In the U.S., our brands delivered 12 billion personalized offers for the year – a 1 billion increase relative to 2023. We also announced a new partnership with Inmar Intelligence on digital coupons to further improve offer types and savings.
- At Alfa Beta, the modular ecommerce platform was launched, the final in the series of six launches across the European market. At Albert in the Czech Republic, the first brand on the new app, monthly app users have increased by over 20 percent and loyalty sales have increased nearly 10 percent compared to 2023.

In tandem with our digital experiences, we have also been working hard on our assortments throughout the year, ensuring we offer the customer the freshest, healthiest products on the market at great competitive prices. In this respect, strengthening own brand assortment is key and we have a big ambition to increase own brand penetration over time to 45 percent.

Ahold Delhaize

- Albert Heijn is a front runner in own brand execution. And in 2024, more than 150 own-brand products and product lines were award-winning in consumer taste and quality elections.
- Our CSE brands made progress on their product harmonization project bringing an additional 500 products (both price value and assortment differentiators) to the range. These products also play a vital role in increasing regional price favorites, with all CSE brands now having a minimum of 825 price favorites in their everyday assortment, an increase of 15 percent compared to 2023.
- In the U.S., a major focus has been on raising the awareness of own brand quality and price relative to national brands. During the last quarter, U.S. own brand sales growth outpaced the rest of the store in both dollars and units.

The second aspect I would like to highlight today is the progress we are making to densify and grow our markets. By prioritizing, optimizing, and sharpening our portfolio, you will see a more pronounced and rigorous focus on growing customer reach and extending leading positions in our most profitable markets.

During our Strategy Day in May, JJ presented a clear vision for the future potential of the U.S. brands in this respect. One of those is The GIANT Company, which has a strong regional presence, loyal customer base and leading market positions. Which is why I am pleased about the new store opening of the brand in Philadelphia in December, with two additional stores in the works for 2025. Additionally, 95 percent of the store fleet is now remodeled with the latest floor design.

On the flipside, making necessary interventions when brands are challenged is an essential contributor to elevating the quality of our sales. The successful completion of the Belgium Future Plan store affiliation project and the closure of the identified underperforming Stop & Shop locations demonstrates our company's ability to do so. With these projects behind us, I will share next steps the teams are focused on a little later.

Next, let's spend a moment on leveraging and lowering our cost base. In an environment where inflationary costs are a concern for many households, our brands remain proactive to ensure that essential items are affordable and within reach for every wallet size.

This is fueled by our Save for Our Customers program, where we are proud that we exceeded our plans generating over 1.35 billion euro in cost savings in 2024.

Although we can always do better, two things we do really well in this respect are fact-based negotiations through our "should-cost" models, and simplification where we challenge ourselves to continuously improve and magnify best practices.

Two good examples of simplification through collaboration from last year include:

- In the U.S., the team began streamlining the support brands into one Ahold Delhaize USA support organization, supporting all our five local brands in a consistent and cost efficient manner.

Ahold Delhaize

- In the CSE region, the brands have completed the first phase of a project to standardize labor management allowing for optimized store execution. Additionally, commercial operations have been standardized across all the CSE brands, including one centralized data support team, consistent training across buyers, and aligned calendars for negotiations. This will also provide opportunities for Profi to leverage, as we unlock synergies in the coming years.

Finally, let me spend a moment on healthy communities and planet.

While the environment we operate in continues to evolve, our role and commitment to support healthy communities and planet is unchanged. These topics remain key for long-term business resilience, are a competitive advantage, and align very closely with our values.

Our brands continue to implement projects to promote healthy, affordable food, drive sustainable business practices like reducing food waste and energy consumption, and encourage diversity and inclusion in the workplace, reflecting and respecting the local communities in which we operate.

One such example is Albert Heijn in the Netherlands. Its focus on healthy and sustainable products has contributed significantly to its growth in market share and customer loyalty: their percentage of own brand healthy food sales increased close to 200 basis points in 2024, while the organic range and the plant-based brand AH Terra are extremely popular.

So in summary, as we leave 2024 behind, there are lots of positives to leverage and build upon in 2025. I will share a few of our plans for the year a little later. Now over to Jolanda to share her remarks and insights in our numbers.

Ahold Delhaize

Jolanda Poots-Bijl
Chief Financial Officer

Thank you Frans, and good morning to everyone.

The great thing about being a grocery retailer is that we are constantly connected to our customers. The personal and digital connections we have with them, understanding their needs in real-time is a powerful asset when combined with the agility and entrepreneurial spirit of our great local brands.

Through our steady and growing market shares and strong relative brand strength, we can see we are doing the right things, as customers choose to shop with us every day.

As Frans mentioned, we are very pleased with how we ended the year, with strong holiday sales, thanks to festive assortments, and shopping experiences that offered customers everything they needed to celebrate the season.

On slide 18 and 19 we present you the key underlying numbers for the quarter and the full year. To summarize:

- Net sales grew 0.6 percent to 23.3 billion euro during the quarter, and 0.9 percent to 89.4 billion euro during the full year. Sales benefited from positive comparable sales ex gas and store openings. The end of tobacco sales in the Netherlands, the closure

Ahold Delhaize

of underperforming Stop & Shop locations, and the divestment of FreshDirect impacted net sales growth by 2.1 and 1.7 percentage points for Q4 and full year, respectively.

- Online sales increased by 5.8 percent in Q4 and 3.5 percent for the full year. The divestment of FreshDirect had a negative impact of 5.1 percentage points for the quarter, and 6.9 percentage points for the full year. Excluding FreshDirect, we saw double-digit growth rates at many of our brands, including Albert Heijn and Food Lion.

- Underlying operating margin for the quarter was 4.1 percent, a decrease of 20 basis points versus last year, mainly due to lower non-recurring items in the U.S. related to holiday accruals. Our full year underlying operating margin for 2024 was 4.0 percent.

- Diluted underlying earnings per share was 69 euro cents for the quarter and 2 euro and 54 cents for the full year, in line with guidance.

Our operating income for the quarter was 607 million euro, representing an IFRS operating margin of 2.6 percent. IFRS results were 351 million euro lower than the underlying results, largely related to an amendment to and additional funding of the Dutch pension plan. With this change, we have reduced our overall pension risk exposure and have eliminated the annual variability in the non-cash service charge.

For the full year, our operating income was 2.8 billion euro, representing an IFRS operating margin of 3.1 percent. IFRS results were 824 million euro lower than the underlying results, largely due to costs associated with:

- the transition of stores as part of the Belgium Future Plan
- the closure of Stop & Shop stores
- the amendment to and additional funding of the Dutch pension plan

Let's take a closer look at our Q4 performance, starting with revenues.

Q4 comparable sales were 1.4 percent, which includes a negative net impact of 0.1 percentage points from weather and calendar shifts and a negative impact of 1.1 percentage points from the end of tobacco sales in the Netherlands.

US comparable sales shows a positive net impact from calendar and weather of 20 basis points. In Europe, there was around a 3.4 percentage points negative net impact from tobacco and calendar.

Looking at the regional performance, U.S. net sales were 13.9 billion euro. Comparable sales excluding gas increased 1.2 percent excluding net weather and calendar impact, reflecting growing positive comparable sales momentum and a return to positive volumes during the fourth quarter.

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

Ahold Delhaize

- around 110 basis points from the impact of Stop & Shop closures
- around 80 basis points from the divestment of FreshDirect
- and around 25 basis points from a decline in gasoline sales

Online sales growth of 10.9 percent, adjusted for the impact of FreshDirect, was a key highlight for the quarter. Customers are responding positively to our partnership with DoorDash, where we continue to see the amount of orders accelerating, with a 20 percent increase in number of orders in Q4 compared to Q3.

Underlying operating margin in the U.S. was 4.2 percent, in line with the third quarter. The margin performance year-over-year was impacted by lower non-recurring items, price investments at Stop and Shop, the net unfavorable impact from a change in sales mix, and wage inflation.

In Europe, fourth quarter trends were again strong. Net sales were 9.4 billion euros, up 2.4 percent despite being negatively impacted by 2.8 percentage points from the end of tobacco sales in the Netherlands. Excluding the impact of tobacco and calendar shifts, comparable sales increased 4.7 percent. Like in the U.S., online sales growth was robust, increasing by 10.9 percent.

Underlying operating margin in Europe was 4.4 percent, up 70 basis points. This was mainly driven by strong performance recovery in Belgium and lower energy costs.

Ahold Delhaize

We think it is important to appreciate the strong value creation, leading market positions, and opportunities being delivered by our European teams.

- Albert Heijn achieved its sixth consecutive year of strong growth, further expanding its market share to 37.7 percent for the year, supported by an increase in number of customers and greater loyalty among existing customers.
- And Belgium continues its strong market share recovery following the transition of stores to the affiliate model, with an improved net promoter score, increase in number of customers, and market share at year end well above pre-announcement levels.

- Finally, following a strong holiday period, bol saw an acceleration in sales growth, achieved an all-time high in app users and recognized its highest ever quarter of sales. This in combination with double-digit growth in advertising services and a relentless focus on cost management drove the incremental increases in profitability, with full-year underlying EBITDA growing to 185 million, up from 159 million euro. Part of bol's competitive advantage is it's best-in-market proposition, giving access to over 47 thousand sales partners. An example is their flourishing collaboration with LEGO. In addition to compelling holiday campaigns which drove a 25 percent increase in LEGO sales, bol introduced a pop-up LEGO shop which was a resounding success, with a second pop-up already planned for later this year in Belgium.

Ahold Delhaize

Moving now to free cash flow, Q4 free cash flow was 1.3 billion euro, which represents an increase of 227 million euro compared to Q4 2023. Looking at the full year, we realized a free cash flow of over 2.5 billion euro, exceeding our guidance of the year.

Our net capital expenditure for the year was below our original guidance in part due to timing, as certain projects shifted to 2025, like our planned distribution center expansion for bol, slower store roll out in CSE and delaying some remodels in the U.S. to calibrate more efficiently to our new strategy.

With capital expenditure running slightly lower, the strength of our underlying operations allowed us to take the opportunity to optimize our future pension obligations in the Netherlands, with additional funding to the Dutch pension plan of 105 million euro.

To complete the picture, on Slide 27 you can see our net debt bridge year over year. Despite returning 2 billion euro to our shareholders, we were able to show a decline, mainly due to healthy free cash flow levels, partially offset by the impact of foreign exchange rates on net debt.

With these results, I am pleased to announce our proposal to increase the dividend per share by 6.4 percent for 2024 to one euro and seventeen cents per share. We have also initiated the one billion euro share buyback program for 2025, on December 30 last year.

Finally, let me provide some insights on our Healthy Communities and Planet priorities.

In 2024, the percentage of own-brand healthy food sales was 52.4 percent. This represents a step up of almost one percentage point compared to 2023 if we exclude the negative impact of around 3.5 percentage points from the transition to Nutri-Score 2.0 for our Dutch and Belgian brands.

Our total tons of food waste per food sales was 35 percent lower than our 2016 baseline. This is a similar result as in 2023 however, it includes a negative impact of 4 percentage points from improved data quality and measurement in the US. In Europe, performance improved, driven by closer collaboration with partners to increase food bank donations.

We reduced CO2-emissions in our own operations by 36 percent compared to our 2018 baseline. An improvement of 2 percent versus last year driven by the installation of more sustainable refrigeration systems in our US stores and an increased use of green energy in Europe.

For virgin own brand plastic packaging we can report a 10 percent reduction compared to 2021, which is equal to our reduction last year. Our brands were able to increase the percentage of recycled content and continued to implement initiatives to replace plastic packaging with paper or cardboard.

As we move to our outlook for 2025, we have several levers at our disposal to navigate the environment.

Using our Growing Together strategy and our growth model as a guide, you can count on us to keep a steady pace as we accelerate new store openings and remodels, and prioritize and add to the scope of price investments. We will enrich our omnichannel capabilities, driving growth in customer loyalty and expanding our reach, and scale technologies that have a proven and successful track record.

At the same time we will also be focused on integrating Profi, our 17th great local brand. Here are some of the impacts to our 2025 financials to take into account:

- The integration will add around 3 billion euro in net sales;
- The dilutive impact to European margin in the first year will be offset by improvements in the rest of the EU region;
- Taking net financial expenses into account, that will result in a net neutral impact to underlying EPS performance; and
- Finally, adding Profi impacts our capital expenditure by around 150 million euro (this includes maintenance capex as well as plans to open around 100 new Profi stores)

For our reported sales numbers in 2025, there are also a few other specific factors you want to reflect in your expectations:

- The Stop & Shop store closures are estimated to have an impact of between 550 and 575 million dollars.

Ahold Delhaize

- There will be around a one percentage-point impact on reported and comparable store sales in Europe due to the end of tobacco sales at Albert Heijn's franchise locations in the Netherlands in the first half of the year, as well as due to new regulations coming into force in Belgium from April 1.

Putting everything together. For our 2025 outlook we expect an underlying margin of around 4 percent, a diluted underlying earnings per share growth of mid- to high-single digit, and a free cash flow of at least 2.2 billion euros combined with a step up in our gross capex to 2.7 billion euros.

As I said at Strategy Day, there is a lot to like about our plan for the coming years including 2025. It's balanced. It's about… Growth… Industry Leading Margins. Cost Discipline. Investing in the future and in Cash generation. Resulting in Growing Shareholder Returns. We are not dependent on one element to drive value since we have multiple levers to deal with volatility in economic, political or social context. With that, let me hand back to Frans to give you a flavor on our priorities for this year.

Frans Muller

President, Chief Executive Officer

Thank you Jolanda.

Much of our success over the past years comes down to doing the basics of good retail well, while at the same time innovating for the future.

Customers are responding positively to our actions, with increasing engagement with our apps and loyalty programs, more frequently becoming omnichannel shoppers, and with a growing preference for our own-brand products.

So the art now is to continue to invest with this winning formula, sequencing our investments so that they build upon each other over time, thus yielding compounding growth.

For 2025, we will be doing four key things:

1. accelerating new store openings and remodels,
2. prioritizing and adding to the scope of price investments,
3. enriching our omnichannel capabilities, driving growth in customer loyalty,
4. And scaling technologies that have a proven and successful track record.

Our underlying operating margin guidance of around 4 percent and our gross capital expenditure plans of around 2.7 billion euro are reflective of this stance.

We are ready to step up our brand's organic store growth and remodeling program in the U.S. On top of The GIANT Company stores, we expect to open an additional 10 new stores this year, starting with the recent launch of a new Food Lion in Troutman, North Carolina. We will also increase the pace of remodeling in the U.S. including the resumption of remodels at Stop & Shop.

In 2025, we will also build on the good work of 2024 and layer in the first rounds of the planned one billion dollar price investments we outlined from 2025 to 2028. All brands will make price investments throughout the year tailored to their local position and pricing strategy.

In Europe, our teams in Central and Southeastern Europe will be focused on the integration of Profi. With Profi we add over 1,700 stores and we will serve an additional 1.3 million customers on a daily basis. We will continue to invest decisively and with focus on our strategic priorities across the region – also to capture more opportunities from technology and sustainability.

In Belgium, our teams will build on the successful transformation by further evolving our omnichannel proposition – for example by launching a new home shop center, putting ecommerce on the path to profitability. We also recently announced, subject to regulatory approval, the planned acquisition of Delfood, which includes 325 points of sale. With this acquisition, Delhaize will open up new potential in the medium term in the fast growing convenience space.

In terms of scaling our technologies, we will roll out SAP S/4HANA to our EU brands to establish one, standardized, global financial backbone, and ramp up operations at our AD/01 tech hub in Romania, which, alongside our other data and tech teams, will support the development of new digital- data- and tech capabilities.

These examples demonstrate we have a clear plan for the year. We will continue to build scale where it makes sense and act local where we can make the difference.

Our guidance for 2025 is consistent with our Growing Together ambitions. And we are fully committed to realizing the growth opportunities and value creation that is ahead of us.

I am pleased to say that we are off to a strong start to the year, carrying the good momentum from the holiday season, and this gives us confidence for another good year for our brands, communities, and our company.

With that, Sharon, please open the lines for questions.

[END]

Ahold Delhaize

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

Ahold Delhaize

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; 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.