

# Kroger Reports First Quarter 2022 Results and Raises Full-Year Guidance



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**The Kroger Co.**

Jun 16, 2022, 08:00 ET

## First Quarter Highlights

- Identical Sales without fuel increased 4.1%
- Operating Profit of \$1,505 million; Adjusted FIFO Operating Profit of \$1,601 million
- EPS of \$0.90; Adjusted EPS of \$1.45
- Company is widening its competitive moats to deliver value for customers
  - Fresh Department identical sales increased 5.2%
  - *Our Brands* identical sales increased 6.3%
  - Digitally engaged households grew by more than half a million and digital coupon downloads increased 11%

CINCINNATI, June 16, 2022 /PRNewswire/ -- The Kroger Co. (NYSE: [KR](#)) today reported its first quarter 2022 results and will update investors on how *Leading with Fresh and Accelerating with Digital* initiatives continue to position Kroger for long-term sustainable growth

## Comments from Chairman and CEO Rodney McMullen

"Kroger achieved strong first quarter results as we successfully executed on our strategy of *Leading with Fresh and Accelerating with Digital*. We are incredibly proud of our associates who continue to put the customer at the center of everything we do.

Our team is doing an outstanding job managing costs in an inflationary environment, which is allowing us to continue to invest in our associates while providing our customers the freshest food at affordable prices when and where they need it. We are delivering everyday value through personalized experiences, trusted *Our Brands* products, data-driven promotions, and seamless e-commerce solutions.

Looking ahead, we are well positioned to continue delivering for our customers, investing in our associates, and driving sustainable returns for shareholders."

### First Quarter Financial Results

	1Q22 (\$ in millions; except EPS)	1Q21 (\$ in millions; except EPS)
ID Sales* (Table 4)	4.1 %	(4.1 %)
EPS	\$0.90	\$0.18
Adjusted EPS (Table 6)	\$1.45	\$1.19
Operating Profit	\$1,505	\$805
Adjusted FIFO Operating Profit (Table 7)	\$1,601	\$1,375
FIFO Gross Margin Rate*	Decreased 26 basis points	
OG&A Rate*	Decreased 46 basis points	

\*without fuel and adjustment items, if applicable

Total company sales were \$44.6 billion in the first quarter, compared to \$41.3 billion for the same period last year. Excluding fuel, sales increased 3.8% compared to the same period last year.

Gross margin was 21.6% of sales for the first quarter. The FIFO gross margin rate, excluding fuel, decreased 26 basis points compared the same period last year. This decrease was primarily attributable to continued strategic price investments and higher supply chain costs offset by sourcing benefits and the cycling of a write-down related to a donation of personal protective equipment inventory from prior year.

The LIFO charge for the quarter was \$93 million, compared to a LIFO charge of \$37 million for the same period last year driven by high inflation.

The Operating, General & Administrative rate decreased 46 basis points, excluding fuel and adjustment items, which reflects sales leverage, continued execution of cost savings initiatives, and lower contributions to multi-employer pension plans offset by investments in associates.

The income tax rate for the first quarter was 18.0%, compared to 20.2% for the same period last year. This decrease was primarily attributable to higher tax deductions related to employee stock option exercises.

## Capital Allocation Strategy

Kroger continues to generate strong free cash flow and remains committed to investing in the business to drive long-term sustainable net earnings growth, maintaining its current investment grade debt rating, and returning excess free cash flow to shareholders via share repurchases and a growing dividend over time.

Kroger's net total debt to adjusted EBITDA ratio is 1.68, compared to 1.79 a year ago (Table 5). The company's net total debt to adjusted EBITDA ratio target range is 2.30 to 2.50.

During the quarter, Kroger repurchased \$665 million shares and as of the end of the first quarter, \$301 million remains on the board authorization announced on December 30, 2021.

## 2022 Guidance

### Comments from CFO Gary Millerchip

"Our relentless focus on executing our strategy and sustained food at home trends led to a strong first quarter. The Kroger team is effectively navigating a dynamic retail environment. Our diverse and resilient business model gives us confidence to raise our full-year guidance. We now expect identical sales without fuel to be in the range of 2.5% to 3.5%, adjusted FIFO operating profit of \$4.3 billion to \$4.4 billion, and adjusted net earnings per diluted share to be in the range of \$3.85 to \$3.95. We remain confident in our ability deliver sustainable earnings growth and total shareholder returns of 8-11% over time."

#### Full-Year 2022 Guidance - Updated

	IDs (%)	EPS (\$)	Operating Profit (\$B)	Tax Rate**	Cap Ex (\$B)	Free Cash Flow (\$B)***
Adjusted*	2.5% - 3.5%	\$3.85 - \$3.95	\$4.3 - \$4.4	22 %	\$3.8 - \$4.0	\$2.0 - \$2.2

\* Without adjusted items, if applicable; Identical sales is without fuel; Operating profit represents FIFO Operating Profit. Kroger is unable to provide a full reconciliation of the GAAP and non-GAAP measures used in 2022 guidance without unreasonable effort because it is not possible to predict certain of our adjustment items with a reasonable degree of certainty. This information is dependent upon future events and may be outside of our control and its unavailability could have a significant impact on 2022 GAAP financial results.

\*\* This rate reflects typical tax adjustments and does not reflect changes to the rate from the completion of income tax audit examinations or changes in tax laws, which cannot be predicted.

\*\*\* 2022 free cash flow guidance includes a \$300M payment of deferred payroll taxes. This excludes planned payments related to the restructuring of multi-employer pension plans.

## First Quarter 2022 Highlights

### Leading with Fresh

- Achieved the two highest single-day floral sales in Kroger history, led by Valentine's Day and Mother's Day and solidified the company's place as the nation's largest floral retailer
- Accelerated End-to-End Fresh Produce initiative with 355 new stores certified, driving higher fresh sales during the quarter
- Launched 239 new, seasonal *Our Brands* items, including fresh products to elevate summer cooking
- Unveiled a study completed with the University of Cincinnati and Kroger Health to understand how Kroger's [Food as Medicine platform](#) and dietitians can support customers' goals to incorporate more fresh foods and live healthier lives by leveraging technology, health education, and the OptUP shopping tool

### Accelerating with Digital

- Opened two new Kroger Delivery facilities, powered by Ocado, in Dallas, Texas and Pleasant Prairie, Wisconsin allowing Kroger to serve fresh and affordable products directly to more households
- Expanded the Kroger Delivery network by opening three new spoke facilities, which serve as last-mile cross-dock locations, including Columbus and Louisville in existing geographies, as well as Miami, a new geography
- Introduced national e-commerce experience that expands [Kroger's Home and Baby offerings](#) by selling several thousand new products on Kroger's Ship Marketplace in collaboration with Bed Bath & Beyond Inc.

### Associate Experience

- Held [nationwide hybrid hiring event](#) with opportunities in retail, e-commerce, manufacturing, supply chain, merchandising, logistics corporate, pharmacy, and healthcare roles
- Launched Microsoft Teams Rooms in supermarket locations to improve collaboration and training capabilities for associates
- Celebrated 45 associates who were recognized by Progressive Grocer to represent the Top Women in Grocery across three categories including, Senior-Level Executives, Rising Stars and Store Leaders
- Continued Kroger's commitment to associate well-being by providing new training to more than 1,500 leaders to develop the skills needed to identify signs and symptoms of mental health problems, demonstrate support for associates experiencing a crisis, and guidance for self-care

### Live Our Purpose

- Directed \$210 million of \$350 million in annual charitable giving to end hunger in our communities and gave a record one-year total of 546 million meals to people across the country while achieving 79% waste diversion from landfills company-wide
- [Reduced barriers to COVID-19 treatment](#) options nationwide by supporting the "Test to Treat" initiative at The Little Clinic locations for patients exhibiting symptoms of COVID-19
- Announced new [partnership with USO](#) to bring mobile food programming to serve local military communities
- Ranked 25th on the [2022 Axios Harris Poll 100](#), an annual ranking of the reputations of the most visible U.S. companies

### About Kroger

At The [Kroger Co.](#) (NYSE: [KR](#)), we are dedicated to our Purpose: to Feed the Human Spirit™. We are, across our family of companies nearly half a million associates who serve over eleven million customers daily through a seamless digital shopping experience and 2,721 retail food stores under a variety of [banner names](#), serving America through food inspiration and uplift, and creating [#ZeroHungerZeroWaste](#) communities by 2025. To learn more about us, visit our [newsroom](#) and [investor relations](#) site.

Kroger's first quarter 2022 ended on **May 21, 2022**.

Note: Fuel sales have historically had a low gross margin rate and operating expense rate as compared to corresponding rates on non-fuel sales. As a result, Kroger discusses the changes in these rates excluding the effect of fuel.