UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 7, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-39350

Albertsons Companies, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**47-4376911**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

250 Parkcenter Blvd.
Boise, Idaho 83706
(Address of principal executive offices and zip code)

(208) 395-6200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, $0.01 par value	ACI	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of October 11, 2024, the registrant had 579,348,079 shares of Class A common stock, par value $0.01 per share, outstanding.

Albertsons Companies, Inc. and Subsidiaries

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Albertsons Companies, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in millions, except share data)
(unaudited)

	September 7, 2024	February 24, 2024
ASSETS		
Current assets		
Cash and cash equivalents	$ 280.0	$ 188.7
Receivables, net	897.6	724.4
Inventories, net	5,042.7	4,945.2
Other current assets	426.3	429.2
Total current assets	6,646.6	6,287.5
Property and equipment, net	9,551.4	9,570.3
Operating lease right-of-use assets	6,022.6	5,981.6
Intangible assets, net	2,377.9	2,434.5
Goodwill	1,201.0	1,201.0
Other assets	728.9	746.2
TOTAL ASSETS	$ 26,528.4	$ 26,221.1
LIABILITIES		
Current liabilities		
Accounts payable	$ 4,221.9	$ 4,218.2
Accrued salaries and wages	1,352.2	1,302.6
Current maturities of long-term debt and finance lease obligations	129.1	285.2
Current maturities of operating lease obligations	679.3	677.6
Other current liabilities	1,039.9	974.1
Total current liabilities	7,422.4	7,457.7
Long-term debt and finance lease obligations	7,779.3	7,783.4
Long-term operating lease obligations	5,615.1	5,493.2
Deferred income taxes	727.5	807.6
Other long-term liabilities	1,963.8	1,931.7
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Class A common stock, $0.01 par value; 1,000,000,000 shares authorized, 597,711,686 and 594,445,268 shares issued as of September 7, 2024 and February 24, 2024, respectively	6.0	5.9
Additional paid-in capital	2,152.3	2,129.6
Treasury stock, at cost, 18,404,201 and 18,397,745 shares held as of September 7, 2024 and February 24, 2024, respectively	(304.2)	(304.2)
Accumulated other comprehensive income	92.6	88.0
Retained earnings	1,073.6	828.2
Total stockholders' equity	3,020.3	2,747.5
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 26,528.4	$ 26,221.1

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Albertsons Companies, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Income
(in millions, except per share data)
(unaudited)

	12 weeks ended		28 weeks ended	
	September 7, 2024	September 9, 2023	September 7, 2024	September 9, 2023
Net sales and other revenue	$ 18,551.5	$ 18,290.7	$ 42,816.9	$ 42,340.9
Cost of sales	13,430.2	13,249.2	30,956.7	30,636.7
Gross margin	5,121.3	5,041.5	11,860.2	11,704.2
Selling and administrative expenses	4,785.4	4,595.5	11,059.4	10,608.4
Loss (gain) on property dispositions and impairment losses, net	43.9	(8.4)	49.2	19.2
Operating income	292.0	454.4	751.6	1,076.6
Interest expense, net	103.6	111.9	249.3	266.8
Other expense (income), net	1.9	8.1	5.9	(7.9)
Income before income taxes	186.5	334.4	496.4	817.7
Income tax expense	41.0	67.5	110.2	133.6
Net income	$ 145.5	$ 266.9	$ 386.2	$ 684.1
Other comprehensive income (loss), net of tax				
Recognition of pension gain (loss)	2.9	(1.9)	1.9	(2.5)
Other	3.0	0.4	2.7	2.1
Other comprehensive income (loss)	$ 5.9	$ (1.5)	$ 4.6	$ (0.4)
Comprehensive income	$ 151.4	$ 265.4	$ 390.8	$ 683.7
Net income per Class A common share				
Basic net income per Class A common share	$ 0.25	$ 0.46	$ 0.67	$ 1.19
Diluted net income per Class A common share	0.25	0.46	0.66	1.18
Weighted average Class A common shares outstanding (in millions)				
Basic	580.1	576.0	579.5	574.7
Diluted	583.2	581.9	582.4	580.3

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Albertsons Companies, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in millions)
(unaudited)

	28 weeks ended	
	September 7, 2024	**September 9, 2023**
Cash flows from operating activities:		
Net income	$ 386.2	$ 684.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on property dispositions and impairment losses, net	49.2	19.2
Depreciation and amortization	973.9	945.2
Operating lease right-of-use assets amortization	364.3	357.0
LIFO expense	19.4	60.2
Deferred income tax	(86.7)	(85.8)
Contributions to pension and post-retirement benefit plans, net of expense (income)	(29.3)	(12.1)
Deferred financing costs	8.6	8.4
Equity-based compensation expense	66.2	57.2
Other operating activities	17.0	(12.3)
Changes in operating assets and liabilities:		
Receivables, net	(174.0)	(21.3)
Inventories, net	(116.9)	(326.6)
Accounts payable, accrued salaries and wages and other accrued liabilities	88.5	35.1
Operating lease liabilities	(280.6)	(274.7)
Self-insurance assets and liabilities	21.2	40.3
Other operating assets and liabilities	67.1	(126.0)
Net cash provided by operating activities	1,374.1	1,347.9
Cash flows from investing activities:		
Payments for property, equipment and intangibles, including lease buyouts	(952.3)	(1,084.3)
Proceeds from sale of assets	19.8	195.1
Other investing activities	7.2	(0.9)
Net cash used in investing activities	(925.3)	(890.1)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt, including ABL facility	50.0	50.0
Payments on long-term borrowings, including ABL facility	(200.4)	(500.5)
Payments of obligations under finance leases	(26.9)	(29.1)
Dividends paid on common stock	(139.0)	(138.0)
Dividends paid on convertible preferred stock	—	(0.8)
Employee tax withholding on vesting of restricted stock units	(41.5)	(35.1)
Other financing activities	—	2.4
Net cash used in financing activities	(357.8)	(651.1)
Net increase (decrease) in cash and cash equivalents and restricted cash	91.0	(193.3)
Cash and cash equivalents and restricted cash at beginning of period	193.2	463.8
Cash and cash equivalents and restricted cash at end of period	$ 284.2	$ 270.5

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Albertsons Companies, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
(in millions, except share data)
(unaudited)

	Class A Common Stock		Additional paid-in capital	Treasury Stock		Accumulated other comprehensive income	Retained earnings	Total stockholders' equity
	Shares	Amount		Shares	Amount			
Balance as of February 24, 2024	594,445,268	$ 5.9	$ 2,129.6	18,397,745	$ (304.2)	$ 88.0	$ 828.2	$ 2,747.5
Equity-based compensation	—	—	34.4	—	—	—	—	34.4
Shares issued and employee tax withholding on vesting of restricted stock units	3,048,974	0.1	(38.6)	—	—	—	—	(38.5)
Cash dividends declared on common stock ($0.12 per common share)	—	—	—	—	—	—	(69.5)	(69.5)
Net income	—	—	—	—	—	—	240.7	240.7
Other comprehensive loss, net of tax	—	—	—	—	—	(1.3)	—	(1.3)
Other activity	—	—	0.8	6,456	—	—	(1.0)	(0.2)
Balance as of June 15, 2024	597,494,242	$ 6.0	$ 2,126.2	18,404,201	$ (304.2)	$ 86.7	$ 998.4	$ 2,913.1
Equity-based compensation	—	—	27.9	—	—	—	—	27.9
Shares issued and employee tax withholding on vesting of restricted stock units	217,444	—	(2.9)	—	—	—	—	(2.9)
Cash dividends declared on common stock ($0.12 per common share)	—	—	—	—	—	—	(69.5)	(69.5)
Net income	—	—	—	—	—	—	145.5	145.5
Other comprehensive income, net of tax	—	—	—	—	—	5.9	—	5.9
Other activity	—	—	1.1	—	—	—	(0.8)	0.3
Balance as of September 7, 2024	597,711,686	$ 6.0	$ 2,152.3	18,404,201	$ (304.2)	$ 92.6	$ 1,073.6	$ 3,020.3

Albertsons Companies, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
(in millions, except share data)
(unaudited)

	Class A Common Stock		Additional paid-in capital	Treasury Stock		Accumulated other comprehensive income	Retained earnings (accumulated deficit)	Total stockholders' equity
	Shares	Amount		Shares	Amount			
Balance as of February 25, 2023	590,968,600	$ 5.9	$ 2,072.7	21,300,945	$ (352.2)	$ 69.3	$ (185.0)	$ 1,610.7
Equity-based compensation	—	—	27.7	—	—	—	—	27.7
Shares issued and employee tax withholding on vesting of restricted stock units	3,059,905	—	(33.1)	—	—	—	—	(33.1)
Convertible preferred stock conversions	—	—	—	(2,903,200)	48.0	—	(2.3)	45.7
Cash dividends declared on common stock ($0.12 per common share)	—	—	—	—	—	—	(69.0)	(69.0)
Dividends accrued on convertible preferred stock	—	—	—	—	—	—	(0.3)	(0.3)
Net income	—	—	—	—	—	—	417.2	417.2
Other comprehensive income, net of tax	—	—	—	—	—	1.1	—	1.1
Other activity	—	—	1.0	—	—	—	(1.0)	—
Balance as of June 17, 2023	594,028,505	$ 5.9	$ 2,068.3	18,397,745	$ (304.2)	$ 70.4	$ 159.6	$ 2,000.0
Equity-based compensation	—	—	22.2	—	—	—	—	22.2
Shares issued and employee tax withholding on vesting of restricted stock units	199,441	—	(2.0)	—	—	—	—	(2.0)
Cash dividends declared on common stock ($0.12 per common share)	—	—	—	—	—	—	(69.0)	(69.0)
Net income	—	—	—	—	—	—	266.9	266.9
Other comprehensive loss, net of tax	—	—	—	—	—	(1.5)	—	(1.5)
Other activity	—	—	1.1	—	—	—	(1.1)	—
Balance as of September 9, 2023	594,227,946	$ 5.9	$ 2,089.6	18,397,745	$ (304.2)	$ 68.9	$ 356.4	$ 2,216.6

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Albertsons Companies, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(unaudited)

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying interim Condensed Consolidated Financial Statements include the accounts of Albertsons Companies, Inc. and its subsidiaries (the "Company"). All significant intercompany balances and transactions were eliminated. The Condensed Consolidated Balance Sheet as of February 24, 2024 is derived from the Company's annual audited Consolidated Financial Statements, which should be read in conjunction with these Condensed Consolidated Financial Statements and which are included in the Company's Annual Report on Form 10-K for the fiscal year ended February 24, 2024, filed with the Securities and Exchange Commission (the "SEC") on April 22, 2024.Certain information in footnote disclosures normally included in annual financial statements was condensed or omitted for the interim periods presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In the opinion of management, the interim data includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the interim periods. The interim results of operations and cash flows are not necessarily indicative of those results and cash flows expected for the year. The Company's results of operations are for the 12 and 28 weeks ended September 7, 2024 and September 9, 2023.

Significant Accounting Policies

Restricted cash: Restricted cash is included in Other current assets or Other assets depending on the remaining term of the restriction and primarily relates to surety bonds. The Company had $4.2 million and $4.5 million of restricted cash as of September 7, 2024 and February 24, 2024, respectively.

Inventories, net: Substantially all of the Company's inventories consist of finished goods valued at the lower of cost or market and net of vendor allowances. The Company primarily uses the retail inventory or cost method to determine inventory cost before application of any last-in, first-out ("LIFO") adjustment. Interim LIFO inventory costs are based on management's estimates of expected year-end inventory levels and inflation rates. The Company recorded LIFO expense of $4.8 million and $26.2 million for the 12 weeks ended September 7, 2024 and September 9, 2023, respectively, and $19.4 million and $60.2 million for the 28 weeks ended September 7, 2024 and September 9, 2023, respectively.

Equity method investments: The Company's equity method investments previously included an equity interest in Mexico Foods Parent LLC and La Fabrica Parent LLC ("El Rancho"), a Texas-based specialty grocer.During the first quarter of fiscal 2023, El Rancho exercised its contractual option to repurchase the Company's 45% ownership interest in El Rancho and the Company received proceeds of $166.1 million. As a result, the Company realized a gain of $10.5 million during the first quarter of fiscal 2023, included in Other expense (income), net.

Convertible Common Stock and Preferred Stock The Company's certificate of incorporation authorizes 150,000,000 shares of Class A-1 convertible common stock, par value $0.01 per share, and 100,000,000 shares of preferred stock, par value $0.01 per share, of which 1,750,000 shares of preferred stock are designated Series A convertible preferred stock ("Series A preferred stock") and 1,410,000 shares of preferred stock are designated Series A-1 convertible preferred stock ("Series A-1 preferred stock" and together with the Series A preferred stock, the "Convertible Preferred Stock"). As of September 7, 2024 and February 24, 2024,no shares of Class A-1 convertible common stock and no shares of preferred stock are issued or outstanding.

Income taxes: Income tax expense was $41.0 million, representing a 22.0% effective tax rate, for the 12 weeks ended September 7, 2024. The Company's effective tax rate for the 12 weeks ended September 7, 2024 differs from the federal income tax statutory rate of 21% primarily due to state income taxes, partially offset by federal tax credits. Income tax expense was $67.5 million, representing a 20.2% effective tax rate, for the 12 weeks ended September 9, 2023. The Company's effective tax rate for the 12 weeks ended September 9, 2023 differs from the

federal income tax statutory rate of 21% primarily due to the recognition of discrete state income tax benefits related to audit settlements and favorable legislation during the 12 weeks ended September 9, 2023.

Income tax expense was $110.2 million, representing a 22.2% effective tax rate, for the 28 weeks ended September 7, 2024. The Company's effective tax rate for the 28 weeks ended September 7, 2024 differs from the federal income tax statutory rate of 21% primarily due to state income taxes, partially offset by federal tax credits and the reduction of a reserve for an uncertain tax position due to the expiration of a state statute. Income tax expense was $133.6 million, representing a 16.3% effective tax rate, for the 28 weeks ended September 9, 2023. The Company's effective tax rate for the 28 weeks ended September 9, 2023 differs from the federal income tax statutory rate of 21% primarily due to the reduction of a reserve of $49.7 million for an uncertain tax position due to the expiration of a foreign statute during the first quarter of fiscal 2023, as well as discrete benefits recognized for state income taxes.

Segments: The Company and its subsidiaries offer grocery products, general merchandise, health and beauty care products, pharmacy, fuel and other items and services in its stores or through digital channels. The Company's operating divisions are geographically based, have similar economic characteristics and similar expected long-term financial performance. The Company's operating segments and reporting units are its 12 operating divisions, which are reported in one reportable segment. Each reporting unit constitutes a business for which discrete financial information is available and for which management regularly reviews the operating results. Across all operating segments, the Company operates primarily one store format. Each division offers through its stores and digital channels the same general mix of products with similar pricing to similar categories of customers, has similar distribution methods, operates in similar regulatory environments and purchases merchandise from similar or the same vendors.

Revenue recognition: Revenues from the retail sale of products are recognized at the point of sale or delivery to the customer, net of returns and sales tax. Pharmacy sales are recorded upon the customer receiving the prescription. Third-party receivables from pharmacy sales were $490.4 million and $376.1 million as of September 7, 2024 and February 24, 2024, respectively, and are recorded in Receivables, net. For digital related sales, which primarily include home delivery and Drive Up & Go curbside pickup, revenues are recognized upon either pickup in store or delivery to the customer and may include revenue for separately charged delivery services. The Company records a contract liability when rewards are earned by customers in connection with the Company's loyalty programs. As rewards are redeemed or expire, the Company reduces the contract liability and recognizes revenue. The contract liability balance was immaterial as of September 7, 2024 and February 24, 2024.

The Company records a contract liability when it sells its own proprietary gift cards. The Company records a sale when the customer redeems the gift card. The Company's gift cards do not expire. The Company reduces the contract liability and records revenue for the unused portion of gift cards in proportion to its customers' pattern of redemption, which the Company determined to be the historical redemption rate. The Company's contract liability related to gift cards was $97.3 million and $111.4 million as of September 7, 2024 and February 24, 2024, respectively.

Disaggregated Revenues

The following table represents Net sales and other revenue by product type (dollars in millions):

	12 weeks ended				28 weeks ended			
	September 7, 2024		September 9, 2023		September 7, 2024		September 9, 2023	
	Amount (1)	% of Total	Amount (1)	% of Total	Amount (1)	% of Total	Amount (1)	% of Total
Non-perishables (2)	$ 9,265.0	49.9 %	$ 9,236.9	50.5 %	$ 21,319.0	49.8 %	$ 21,323.7	50.4 %
Fresh (3)	5,917.4	31.9	5,919.4	32.4	13,822.3	32.3	13,808.7	32.6
Pharmacy	2,132.0	11.5	1,741.0	9.5	4,754.8	11.1	4,041.1	9.5
Fuel	951.3	5.2	1,126.8	6.1	2,272.2	5.3	2,527.2	6.0
Other (4)	285.8	1.5	266.6	1.5	648.6	1.5	640.2	1.5
Net sales and other revenue	$ 18,551.5	100.0 %	$ 18,290.7	100.0 %	$ 42,816.9	100.0 %	$ 42,340.9	100.0 %

(1) Digital related sales are included in the categories to which the revenue pertains.

(2) Consists primarily of general merchandise, grocery, dairy and frozen foods.

(3) Consists primarily of produce, meat, deli and prepared foods, bakery, floral and seafood.

(4) Consists primarily of wholesale revenue to third parties, commissions, rental income and other miscellaneous revenue.

Recently issued accounting standards: In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, "*Segment Reporting Topic (280): Improvements to Reportable Segment Disclosure*." The ASU improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 on a retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact of this ASU on its Consolidated Financial Statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures.*" The ASU enhances the transparency and decision usefulness of income tax disclosures and is effective for annual periods beginning after December 15, 2024 on a prospective basis. Early adoption is permitted. The Company is currently evaluating the impact of this ASU on its Consolidated Financial Statements and related disclosures.

NOTE 2 - MERGER AGREEMENT

On October 13, 2022, the Company, The Kroger Co. ("Parent") and Kettle Merger Sub, Inc., a wholly owned subsidiary of Parent ("Merger Sub") entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which Merger Sub will be merged with and into the Company (the "Merger"), with the Company surviving the Merger as the surviving corporation and a direct, wholly owned subsidiary of Parent.

Pursuant to the Merger Agreement, each share of Class A common stock issued and outstanding immediately prior to the effective time of the Merger (the "Effective Time"), shall be converted automatically at the Effective Time into the right to receive from Parent $34.10 per share in cash, without interest. The $34.10 per share consideration to be paid by Parent would be reduced by the special cash dividend of $6.85 per share of Class A common stock (the "Special Dividend"), which was declared on October 13, 2022 and paid on January 20, 2023.

At the Effective Time, each outstanding equity award denominated in shares of Class A common stock will be converted into a corresponding award with respect to shares of Parent common stock (the "Converted Awards"). The Converted Awards will remain outstanding and subject to the same terms and conditions (including vesting and

forfeiture terms) as were applied to the corresponding Company equity award immediately prior to the Effective Time; provided that any Company equity award with a performance-based vesting condition will have such vesting condition deemed satisfied at (i) the greater of target performance and actual performance (for such awards subject to an open performance period at the Effective Time) and (ii) target performance (for such awards subject to a performance period that begins after the Effective Time). For purposes of the conversion described above, the number of shares of Parent common stock subject to a Converted Award will be based upon the number of shares of Class A common stock subject to such Company equity award immediately prior to the Effective Time multiplied by an exchange ratio equal to (i) $34.10 less the Special Dividend, divided by (ii) the average closing price of shares of Parent common stock for five trading days preceding the Closing.

In connection with obtaining the requisite regulatory clearance necessary to consummate the Merger, the Company and Parent expect to make divestitures of stores owned by the Company and Parent to a third party. As described in the Merger Agreement and subject to the outcome of the divestiture process and negotiations with applicable government authorities, the Company was prepared to establish a Company subsidiary ("SpinCo") as part of this process. If utilized, the common stock or interests in SpinCo would be distributed to Company stockholders no later than the closing of the Merger (the "Closing") and SpinCo would operate as a standalone public company, or the equity of SpinCo would be contributed to a trust for later distribution to Company stockholders. As described in more detail below, on September 8, 2023, the Company and Kroger announced that they entered into a comprehensive divestiture plan with C&S Wholesale Grocers, LLC ("C&S"). As a result of the comprehensive divestiture plan announced with C&S, Kroger has exercised its right under the Merger Agreement to sell what would have been the SpinCo business to C&S. Consequently, the creation of SpinCo and spin-off previously contemplated by the Company and Kroger is no longer a requirement under the Merger Agreement and will no longer be pursued by the Company and Kroger.

On September 8, 2023, the Company and Kroger announced that the parties had entered into a definitive agreement, dated September 8, 2023, with C&S for the sale of select stores, banners, distribution centers, offices and private label brands to C&S. On April 22, 2024, the Company and Kroger announced they had amended the definitive agreement with C&S. The amended package modifies and builds on the initial divestiture package (collectively, the "Divestiture Assets"). The Divestiture Assets will be divested by Kroger following the Closing. The definitive agreement has customary representations and warranties and covenants of a transaction of its type. The divestiture to C&S is subject to fulfillment of customary closing conditions, including clearance by the United States Federal Trade Commission ("FTC") and the completion of the proposed Merger.

In accordance with the Merger Agreement, the Company has extended the original outside date of January 13, 2024 to October 9, 2024 (the "Outside Date"). The Parent will be obligated to pay a termination fee of $600 million to the Company if the Merger Agreement is terminated by either party in connection with the occurrence of the Outside Date, and, at the time of such termination, all closing conditions other than regulatory approval have been satisfied. As of the time of filing this Quarterly Report on Form 10-Q, neither the Company nor Parent has provided a notice of termination with respect to the Merger Agreement.

On February 26, 2024, the FTC instituted an administrative proceeding to prohibit the Merger. On the same day, the FTC (joined by nine states) filed suit in the United States District Court for the District of Oregon, requesting a preliminary injunction to enjoin the Merger (the "Federal Action"). On January 15, 2024 and February 14, 2024, the attorneys general of States of Washington and Colorado, respectively, filed suit in their respective state courts, also seeking to enjoin the Merger. In the Federal Action, the Company and Parent have stipulated to a temporary restraining order that prevents the Merger from closing until 11:59 PM Eastern Time on the fifth business day after the court rules on the FTC's motion for a preliminary injunction or until after the date set by the court, whichever is later. The FTC administrative proceeding and the preliminary injunction hearing in the Federal Action have concluded and the Company awaits a decision. A trial on the State of Washington's request for a permanent injunction has concluded and the Company awaits a decision. In conjunction with the State of Washington's suit, the Company and Parent have committed that they will not close the Merger until five days after that court rules (so

long as that ruling occurs by a certain date). In the Colorado case, the trial on the permanent injunction is ongoing. In addition to these regulatory actions, private plaintiffs have filed suit in the United States District Court for the Northern District of California also seeking to enjoin the Merger. That case is stayed pending resolution of the FTC's motion for a preliminary injunction.

NOTE 3 - FAIR VALUE MEASUREMENTS

The accounting guidance for fair value established a framework for measuring fair value and established a three-level valuation hierarchy for disclosure of fair value measurement. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability at the measurement date. The three levels are defined as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable; and

Level 3 - Unobservable inputs in which little or no market activity exists, requiring an entity to develop its own assumptions that market participants would use to value the asset or liability.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following table presents certain assets which were measured at fair value on a recurring basis as of September 7, 2024 (in millions):

	Fair Value Measurements			
	Total	**Quoted prices in active markets for identical assets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets:				
Short-term investments (1)	$ 17.2	$ 6.2	$ 11.0	$ —
Non-current investments (2)	109.6	6.7	102.9	—
Total	$ 126.8	$ 12.9	$ 113.9	$ —
Liabilities:				
Derivative contracts (3)	$ 1.5	$ —	$ 1.5	$ —
Total	$ 1.5	$ —	$ 1.5	$ —

(1) Primarily relates to Mutual Funds (Level 1) and Certificates of Deposit (Level 2). Included in Other current assets.

(2) Primarily relates to investments in Exchange-Traded Funds (Level 1) and certain equity investments, U.S. Treasury Notes and Corporate Bonds (Level 2). Included in Other assets.

(3) Primarily relates to energy derivative contracts. Included in Other current liabilities.

The following table presents certain assets which were measured at fair value on a recurring basis as of February 24, 2024 (in millions):

	Fair Value Measurements			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Short-term investments (1)	$ 23.3	$ 5.3	$ 18.0	$ —
Non-current investments (2)	107.3	6.4	100.9	—
Derivative contracts (3)	1.5	—	1.5	—
Total	$ 132.1	$ 11.7	$ 120.4	$ —
Liabilities:				
Derivative contracts (3)	$ 0.8	$ —	$ 0.8	$ —
Total	$ 0.8	$ —	$ 0.8	$ —

(1) Primarily relates to Mutual Funds (Level 1) and Certificates of Deposit (Level 2). Included in Other current assets.
(2) Primarily relates to investments in Exchange-Traded Funds (Level 1) and certain equity investments, U.S. Treasury Notes and Corporate Bonds (Level 2). Included in Other assets.
(3) Primarily relates to energy derivative contracts. Included in Other assets or Other current liabilities.

The Company records cash and cash equivalents, restricted cash, accounts receivable and accounts payable at cost. The recorded values of these financial instruments approximate fair value based on their short-term nature.

The estimated fair value of the Company's debt, including current maturities, was based on Level 2 inputs, being market quotes or values for similar instruments, and interest rates currently available to the Company for the issuance of debt with similar terms and remaining maturities as a discount rate for the remaining principal payments. As of September 7, 2024, the fair value of total debt was $7,411.9 million compared to the carrying value of $7,533.8 million, excluding debt discounts and deferred financing costs. As of February 24, 2024, the fair value of total debt was $7,457.2 million compared to the carrying value of $7,684.2 million, excluding debt discounts and deferred financing costs.

Assets Measured at Fair Value on a Non-Recurring Basis

The Company measures certain assets at fair value on a non-recurring basis, including long-lived assets and goodwill, which are evaluated for impairment. Long-lived assets include store-related assets such as property and equipment, operating lease assets and certain intangible assets. The inputs used to determine the fair value of long-lived assets and a reporting unit are considered Level 3 measurements due to their subjective nature.

During the 12 weeks ended September 7, 2024, the Company recorded impairment losses of $39.8 million, primarily related to equipment from the closing of our micro-fulfillment centers and $13.5 million of retail store impairment losses. The impairment losses are included as a component of Loss (gain) on property dispositions and impairment losses, net.

NOTE 4 - LONG-TERM DEBT AND FINANCE LEASE OBLIGATIONS

The Company's long-term debt and finance lease obligations as of September 7, 2024 and February 24, 2024, net of unamortized debt discounts of $30.8 million and $33.3 million, respectively, and deferred financing costs of $36.8 million and $42.7 million, respectively, consisted of the following (in millions):

	September 7, 2024	February 24, 2024
Senior Unsecured Notes due 2026 to 2030, interest rate range of 3.25% to 7.50%	$ 6,512.0	$ 6,506.4
New Albertsons L.P. Notes due 2026 to 2031, interest rate range of 6.52% to 8.70%	482.6	480.1
Safeway Inc. Notes due 2027 to 2031, interest rate range of 7.25% to 7.45%	375.7	375.4
ABL Facility	50.0	200.0
Other financing obligations	29.6	29.9
Mortgage notes payable, secured	16.3	16.4
Finance lease obligations	442.2	460.4
Total debt	7,908.4	8,068.6
Less current maturities	(129.1)	(285.2)
Long-term portion	$ 7,779.3	$ 7,783.4

ABL Facility

As of September 7, 2024, there was $50.0 million outstanding under the ABL Facility as the Company repaid $200.0 million and borrowed $50.0 million during the 28 weeks ended September 7, 2024, and letters of credit ("LOC") issued under the LOC sub-facility was $41.7 million. As of February 24, 2024, there was $200.0 million outstanding under the ABL Facility and LOC issued under the LOC sub-facility was $48.3 million.

NOTE 5 - EMPLOYEE BENEFIT PLANS

Pension and Other Post-Retirement Benefits

The following table provides the components of net pension and post-retirement expense (income) (in millions):

	12 weeks ended			
	Pension		Other post-retirement benefits	
	September 7, 2024	September 9, 2023	September 7, 2024	September 9, 2023
Estimated return on plan assets	$ (21.1)	$ (22.7)	$ —	$ —
Service cost	3.9	4.0	—	—
Interest cost	19.3	19.3	0.1	0.1
Amortization of prior service cost	0.1	0.1	—	—
Amortization of net actuarial gain	(0.8)	(2.4)	(0.2)	(0.2)
Settlement loss	4.7	—	—	—
Expense (income), net	$ 6.1	$ (1.7)	$ (0.1)	$ (0.1)

	28 weeks ended			
	Pension		Other post-retirement benefits	
	September 7, 2024	September 9, 2023	September 7, 2024	September 9, 2023
Estimated return on plan assets	$ (49.2)	$ (53.0)	$ —	$ —
Service cost	9.0	9.3	—	—
Interest cost	45.2	45.0	0.3	0.3
Amortization of prior service cost	0.2	0.2	—	—
Amortization of net actuarial gain	(2.0)	(3.0)	(0.4)	(0.5)
Settlement loss	4.7	—	—	—
Expense (income), net	$ 7.9	$ (1.5)	$ (0.1)	$ (0.2)

The Company contributed $24.4 million and $37.1 million to its defined pension plans and post-retirement benefit plans during the 12 and 28 weeks ended September 7, 2024, respectively. For the 12 and 28 weeks ended September 9, 2023, the company contributed $3.9 million and $10.4 million, respectively. At the Company's discretion, additional funds may be contributed to the defined benefit pension plans that are determined to be beneficial to the Company. The Company currently anticipates contributing an additional $50.3 million to these plans for the remainder of fiscal 2024.

NOTE 6 - COMMITMENTS AND CONTINGENCIES AND OFF BALANCE SHEET ARRANGEMENTS

Guarantees

Lease Guarantees: The Company may have liability under certain operating leases that were assigned to third parties. If any of these third parties fail to perform their obligations under the leases, the Company could be responsible for the lease obligation. Because of the wide dispersion among third parties and the variety of remedies available, the Company believes that if an assignee became insolvent, it would not have a material effect on the Company's financial condition, results of operations or cash flows.

The Company also provides guarantees, indemnifications and assurances to others in the ordinary course of its business.

Legal Proceedings

The Company is subject from time to time to various claims and lawsuits, including matters involving trade, business and operational practices, personnel and employment issues, lawsuits alleging violations of state and/or federal wage and hour laws, real estate disputes, personal injury, antitrust claims, packaging or product claims, claims related to the sale of drug or pharmacy products, such as opioids, intellectual property claims and other proceedings arising in or outside of the ordinary course of business. Some of these claims or suits purport or may be determined to be class actions and/or seek substantial damages. It is the opinion of the Company's management that although the amount of liability with respect to certain of the matters described herein cannot be ascertained at this time, any resulting liability of these and other matters, including any punitive damages, will not have a material adverse effect on the Company's business or overall financial condition.

The Company continually evaluates its exposure to loss contingencies arising from pending or threatened litigation and believes it has made provisions where the loss contingency is probable and can be reasonably estimated. Nonetheless, assessing and predicting the outcomes of these matters involves substantial uncertainties. While management currently believes that the aggregate estimated liabilities currently recorded are reasonable, it remains possible that differences in actual outcomes or changes in management's evaluation or predictions could arise that could be material to the Company's results of operations or cash flows.

False Claims Act: Two qui tam actions alleging violations of the False Claims Act ("FCA") have been filed against the Company and its subsidiaries. Violations of the FCA are subject to treble damages and penalties of up to a specified dollar amount per false claim.

In *United States ex rel. Proctor v. Safeway*, filed in the United States District Court for the Central District of Illinois, the relator alleges that Safeway overcharged federal government healthcare programs by not providing the federal government, as part of its usual and customary prices, the benefit of discounts given to customers in pharmacy membership discount and price-matching programs. The relator filed his complaint under seal on November 11, 2011, and the complaint was unsealed on August 26, 2015. The relator amended the complaint on March 31, 2016. On June 12, 2020, the District Court granted Safeway's motion for summary judgment, holding that the relator could not prove that Safeway acted with the intent required under the FCA, and judgment was issued on June 15, 2020. On July 10, 2020, the relator filed a motion to alter or amend the judgment and to supplement the record, which Safeway opposed. On November 13, 2020, the District Court denied relator's motion, and on December 11, 2020, relator filed a notice of appeal. The Seventh Circuit Court of Appeals affirmed the judgment in the Company's favor on April 5, 2022. On August 3, 2022, relators filed a petition seeking review by the U.S. Supreme Court.

In *United States ex rel. Schutte and Yarberry v. SuperValu, New Albertson's, Inc., et al*, also filed in the Central District of Illinois, the relators allege that defendants (including various subsidiaries of the Company) overcharged federal government healthcare programs by not providing the federal government, as a part of usual and customary prices, the benefit of discounts given to customers who requested that defendants match competitor prices. The complaint was originally filed under seal and amended on November 30, 2015. On August 5, 2019, the District Court granted relators' motion for partial summary judgment, holding that price-matched prices are the usual and customary prices for those drugs. On July 1, 2020, the District Court granted the defendants' motions for summary judgment and dismissed the case, holding that the relator could not prove that defendants acted with the intent required under the FCA. Judgment was issued on July 2, 2020. On July 9, 2020, the relators filed a notice of appeal. On August 12, 2021, the Court of Appeals for the Seventh Circuit affirmed the grant of summary judgment in the Company's favor. On September 23, 2021, the relators filed a petition for rehearing *en banc* with the Seventh Circuit. On December 3, 2021, the Seventh Circuit denied relators' petition. On April 1, 2022, relators filed a petition seeking review by the U.S. Supreme Court.

The U.S. Supreme Court decided to hear the appeals filed by the relators in *Proctor* and *Schutte*. The Supreme Court consolidated the two cases for the purpose of hearing the appeal. The Supreme Court heard oral arguments on April 18, 2023. On June 1, 2023, the Supreme Court issued an opinion adverse to the Company that reversed the lower court's rulings. On July 3, 2023, the Supreme Court issued the order remanding both cases back to the Court of Appeals for the Seventh Circuit for further review. On July 27, 2023, the Court of Appeals remanded both cases back to the U.S. District Court for the Central District of Illinois. On August 22, 2023, the District Court - as to *Schutte* - set a pretrial conference for March 4, 2024, and a trial date of April 29, 2024. At the same July 27 hearing, the District Court also gave the defendants leave to file motions for summary judgment on a schedule to be agreed upon. On October 11, 2023, the Company and co-defendant filed a motion for summary judgment. On the same day, the relators filed motions for partial summary judgment. Both sides' motions are pending. On February 16, 2024, the Company and co-defendant filed a motion to reconsider a prior grant of partial summary judgment against the defendants, and also a motion to continue the trial. On February 27, 2024, the District Court granted the motion to continue and vacated the April 29, 2024 trial date. At a pretrial conference on March 4, 2024, the District Court reset the trial for September 30, 2024. On May 20, 2024, the District Court heard oral argument on the pending motions. On May 22, 2024, the Company and co-defendant filed a motion to continue the trial to January 2025, but in any event no earlier than November 2024. On August 5, 2024, the District Court granted the motion to continue the trial. On September 16, 2024, the District Court set trial to begin on February 3, 2025. The District Court has not set any trial date for *Proctor* as of yet, and no motions are pending in that case.

In both of the above cases, the federal government previously investigated the relators' allegations and declined to intervene. The relators elected to pursue their respective cases on their own and in each case have alleged FCA damages in excess of $100 million before trebling and excluding penalties. The Company is vigorously defending each of these matters. The Company has recorded an estimated liability for these matters.

Pharmacy Benefit Manager (PBM) Litigation: The Company (including its subsidiary, Safeway Inc.) is a defendant in a lawsuit filed on January 21, 2021, in Minnesota state court, captioned *Health Care Service Corp. et al. v. Albertsons Companies, LLC, et al.* The action challenges certain prescription-drug prices reported by the Company to a pharmacy benefit manager, Prime Therapeutics LLC ("Prime"), which in turn contracted with the health-insurer plaintiffs to adjudicate and process prescription-drug reimbursement claims.

On December 7, 2021, the Company filed a motion to dismiss the complaint. On January 14, 2022, the court denied the Company's motion to dismiss as to all but one count, plaintiffs' claim of negligent misrepresentation. On January 21, 2022, the Company and co-defendant SUPERVALU, Inc. ("SUPERVALU") filed a third-party complaint against Prime, asserting various claims, including: indemnification, fraud and unjust enrichment. On February 17, 2022, the Company filed in the Minnesota Court of Appeals an interlocutory appeal of the denial of their motion to dismiss on personal jurisdiction grounds (the "Jurisdictional Appeal"). On February 24, 2022, the Company and SUPERVALU filed in the trial court an unopposed motion to stay proceedings, pending the resolution of the Jurisdictional Appeal. The parties agreed on March 6, 2022, to an interim stay in the trial court pending a ruling on the unopposed motion to stay proceedings. On September 6, 2022, the Minnesota Court of Appeals denied the Jurisdictional Appeal and affirmed the trial court’s denial of the Company’s motion to dismiss. On October 6, 2022, the Company and SUPERVALU filed a petition seeking review by the Minnesota Supreme Court. On November 23, 2022, the Minnesota Supreme Court denied that petition. The Company and co-defendant SUPERVALU filed an answer to the complaint on January 23, 2023. On March 9, 2023, Prime moved to dismiss the third-party complaint filed by the Company and SUPERVALU. The court heard oral arguments on the motion on May 11, 2023. On August 9, 2023, the court denied Prime's motion as to 16 of the 17 counts in the third-party complaint, and dismissed one count without prejudice. On September 18, 2023, the Company and SUPERVALU filed an amended third-party complaint, which repleaded the one count that had been dismissed (in addition to the other claims asserted in the initial third-party complaint). On October 2, 2023, Prime filed an answer to the amended third-party complaint. The parties are presently engaged in discovery. The case is currently scheduled to be ready for trial on or after September 29, 2025.

The Company is vigorously defending the claims filed against it, and the Company also intends to prosecute its claims against Prime with equal vigor. The Company has recorded an estimated liability for this matter.

Opioid Litigation: The Company is one of dozens of companies that have been named as defendants in lawsuits filed by various plaintiffs, including states, counties, cities, Native American tribes, and hospitals, alleging that defendants contributed to the national opioid epidemic. At present, the Company is named in approximately 85 suits pending in various state and federal courts including the United States District Court for the Northern District of Ohio, where over 2,000 cases against various defendants have been consolidated as Multi-District Litigation ("MDL") pursuant to 28 U.S.C. §1407. All of the MDL cases naming the Company have been stayed except forthree so called "bellwether" actions in Tarrant County (Texas), Town of Hull (Massachusetts) and Monterey County (California). In the Tarrant County bellwether, the Company's motion for summary judgment is pending before the Court. Discover in the two remaining bellwethers will begin shortly. The relief sought by the various plaintiffs in these matters includes compensatory damages, abatement and punitive damages as well as injunctive relief. On July 30, 2024, multiple plaintiffs filed an Omnibus Motion for Leave to Amend several of their complaints, seeking leave from the MDL court to add the Company to over150 of additional lawsuits. The Company's response to the Omnibus Motion is due December 6, 2024.

Prior to the start of a state-court trial that was scheduled for September 6, 2022, the Company reached an agreement to settle with the State of New Mexico. The New Mexico counties and municipal entities that filed14 additional lawsuits, including Santa Fe County, agreed to the terms of the settlement. Thus, all 15 cases filed by New Mexico entities have been dismissed as a result of the settlement. The Company executed an agreement to settle three matters pending in Nevada state court. The Company recorded a liability of $21.5 million for the settlements of the cases in New Mexico and Nevada which was paid by our insurers in the fourth quarter of fiscal 2022. With respect to the remaining pending state court claims, three claims are currently proceeding through discovery, with trial dates scheduled in 2025. Those matters are pending in Dallas County (Texas), the State of Washington and the City of Philadelphia (Pennsylvania). The Company believes that it has substantial factual and legal defenses to these claims, and is vigorously defending these matters. At this stage in the proceedings, the Company is unable to determine the probability of the outcome of these remaining matters or the range of reasonably possible loss.

The Company has also received, subpoenas, Civil Investigative Demands and other requests for documents and information from the U.S. Department of Justice ("DOJ") and certain state Attorneys General, and has had preliminary discussions with the DOJ with respect to purported violations of the federal Controlled Substances Act and the FCA in dispensing prescriptions. The Company has been cooperating with the government with respect to these requests for information.

Other Commitments

In the ordinary course of business, the Company enters into various supply contracts for goods and contracts for fixed assets and information technology. These contracts typically include volume commitments or fixed expiration dates, termination provisions and other standard contractual considerations.

NOTE 7 - OTHER COMPREHENSIVE INCOME OR LOSS

Total comprehensive earnings are defined as all changes in stockholders' equity during a period, other than those from investments by or distributions to the stockholders. Generally, for the Company, total comprehensive income equals net income plus or minus adjustments for pension and other post-retirement liabilities. Total comprehensive earnings represent the activity for a period, net of tax.

While total comprehensive earnings are the activity in a period and are largely driven by net earnings in that period, accumulated other comprehensive income or loss ("AOCI") represents the cumulative balance of other

comprehensive income, net of tax, as of the balance sheet date. Changes in the AOCI balance by component are shown below (in millions):

	28 weeks ended September 7, 2024		
	Total	Pension and Post-retirement benefit plans	Other
Beginning AOCI balance	$ 88.0	$ 87.5	$ 0.5
Other comprehensive income before reclassifications	3.7	—	3.7
Amounts reclassified from accumulated other comprehensive income (1)	2.5	2.5	—
Tax expense	(1.6)	(0.6)	(1.0)
Current-period other comprehensive income, net of tax	4.6	1.9	2.7
Ending AOCI balance	$ 92.6	$ 89.4	$ 3.2

	28 weeks ended September 9, 2023		
	Total	Pension and Post-retirement benefit plans	Other
Beginning AOCI balance	$ 69.3	$ 71.7	$ (2.4)
Other comprehensive income before reclassifications	2.8	—	2.8
Amounts reclassified from accumulated other comprehensive income (1)	(3.3)	(3.3)	—
Tax benefit (expense)	0.1	0.8	(0.7)
Current-period other comprehensive (loss) income, net of tax	(0.4)	(2.5)	2.1
Ending AOCI balance	$ 68.9	$ 69.2	$ (0.3)

(1) These amounts are included in the computation of net pension and post-retirement expense (income). For additional information, see Note 5 - Employee Benefit Plans.

NOTE 8 - NET INCOME PER CLASS A COMMON SHARE

The Company calculates basic and diluted net income per Class A common share using the two-class method. The two-class method is an allocation formula that determines net income per Class A common share for each share of Class A common stock and Convertible Preferred Stock, a participating security, according to dividends declared and participation rights in undistributed earnings. Under this method, all earnings (distributed and undistributed) are allocated to Class A common shares and Convertible Preferred Stock based on their respective rights to receive dividends. The holders of Convertible Preferred Stock participate in cash dividends that the Company pays on its common stock to the extent that such cash dividends exceed $206.25 million per fiscal year and shares of Convertible Preferred Stock remain outstanding as of the applicable record date to participate in such dividends. As of June 17, 2023, 100% of the originally issued Convertible Preferred Stock had been converted into Class A common stock and no shares of Convertible Preferred Stock are outstanding. In applying the two-class method to interim periods, the Company allocates income to its quarterly periods independently and discretely from its year-to-date and annual periods. Basic net income per Class A common share is computed by dividing net income allocated to Class A common stockholders by the weighted average number of Class A common shares outstanding for the period, including Class A common shares to be issued with no prior remaining contingencies prior to issuance. Diluted net income per Class A common share is computed based on the weighted average number of shares of Class A common stock outstanding during each period, plus potential Class A common shares considered outstanding during the period, as long as the inclusion of such awards is not antidilutive. Potential Class A common shares consist of unvested restricted stock units ("RSUs"), restricted common stock ("RSAs") and Convertible

Preferred Stock, using the more dilutive of either the two-class method or as-converted stock method. Performance-based RSUs are considered dilutive when the related performance criterion has been met.

The components of basic and diluted net income per Class A common share were as follows (in millions, except per share data):

	12 weeks ended		28 weeks ended	
	September 7, 2024	September 9, 2023	September 7, 2024	September 9, 2023
Basic net income per Class A common share				
Net income	$ 145.5	$ 266.9	$ 386.2	$ 684.1
Accrued dividends on Convertible Preferred Stock	—	—	—	(0.3)
Earnings allocated to Convertible Preferred Stock	—	—	—	(0.6)
Net income allocated to Class A common stockholders - Basic	$ 145.5	$ 266.9	$ 386.2	$ 683.2
Weighted average Class A common shares outstanding - Basic (1)	580.1	576.0	579.5	574.7
Basic net income per Class A common share	$ 0.25	$ 0.46	$ 0.67	$ 1.19
Diluted net income per Class A common share				
Net income allocated to Class A common stockholders - Basic	$ 145.5	$ 266.9	$ 386.2	$ 683.2
Accrued dividends on Convertible Preferred Stock	—	—	—	—
Earnings allocated to Convertible Preferred Stock	—	—	—	—
Net income allocated to Class A common stockholders - Diluted	$ 145.5	$ 266.9	$ 386.2	$ 683.2
Weighted average Class A common shares outstanding - Basic (1)	580.1	576.0	579.5	574.7
Dilutive effect of:				
Restricted stock units and awards	3.1	5.9	2.9	5.6
Convertible Preferred Stock (2)	—	—	—	—
Weighted average Class A common shares outstanding - Diluted (3)	583.2	581.9	582.4	580.3
Diluted net income per Class A common share	$ 0.25	$ 0.46	$ 0.66	$ 1.18

(1) The number of Class A common shares remaining to be issued for the 12 and 28 weeks ended September 7, 2024 and September 9, 2023 were not material.

(2) Reflects the number of shares of Convertible Preferred Stock issued, if converted into common stock for the period outstanding. For the 28 weeks ended September 9, 2023, 0.6 million potential common shares outstanding related to Convertible Preferred Stock were antidilutive.

(3) The number of potential Class A common shares outstanding related to RSUs and RSAs that were antidilutive for the 12 and 28 weeks ended September 7, 2024 and September 9, 2023 were not material.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS AND FACTORS THAT IMPACT OUR OPERATING RESULTS AND TRENDS

This Form 10-Q contains "forward-looking statements" within the meaning of the federal securities laws. The "forward-looking statements" include our current expectations, assumptions, estimates and projections about our business, our industry and the outcome of the Merger. They include statements relating to our future operating or financial performance which the Company believes to be reasonable at this time. You can identify forward-looking statements by the use of words such as "outlook," "may," "should," "could," "estimates," "predicts," "potential," "continue," "anticipates," "believes," "plans," "expects," "future" and "intends" and similar expressions which are intended to identify forward-looking statements.

These statements are not guarantees of future performance and are subject to numerous risks and uncertainties which are beyond our control and difficult to predict and could cause actual results to differ materially from the results expressed or implied by the statements. Risks and uncertainties that could cause actual results to differ materially from such statements include:

- uncertainties related to our ability to close the transactions contemplated by the Merger Agreement, including resolution of the pending legal actions related to the Merger;
- erosion of consumer confidence in our business as a result of the Merger;
- restrictions on our ability to operate as a result of the Merger Agreement and the impact of the costs related to the Merger;
- challenges in retaining and motivating our associates until the closing of the Merger, particularly following the public announcement of the locations and operations to be divested, with difficulties in attracting new employees during the pendency of the Merger;
- litigation in connection with, or related to the transactions contemplated by, the Merger Agreement which may arise out of pending regulatory actions;
- changes in macroeconomic conditions such as rates of food price inflation or deflation, fuel and commodity prices and expiration of student loan payment deferments;
- changes in consumer behavior and spending due to the impact of macroeconomic factors;
- failure to achieve productivity initiatives, unexpected changes in our objectives and plans, inability to implement our strategies, plans, programs and initiatives, or enter into strategic transactions, investments or partnerships in the future on terms acceptable to us, or at all;
- changes in wage rates, ability to attract and retain qualified associates and negotiate acceptable contracts with labor unions;
- availability and cost of goods used in our food products;
- challenges with our supply chain;
- operational and financial effects resulting from cyber incidents at the Company or at a third party, including outages in the cloud environment and the effectiveness of business continuity plans during a ransomware or other cyber incident; and
- changes in tax rates, tax laws, and regulations that directly impact our business or our customers may adversely impact our financial condition and results of operations.

All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements and risk factors. Forward-looking statements contained in this Form 10-Q

reflect our view only as of the date of this Form 10-Q. We undertake no obligation, other than as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

In evaluating our financial results and forward-looking statements, you should carefully consider the risks and uncertainties more fully described in the "Risk Factors" section or other sections in our reports filed with the SEC including the most recent annual report on Form 10-K and any subsequent periodic reports on Form 10-Q and current reports on Form 8-K.

As used in this Form 10-Q, unless the context otherwise requires, references to "Albertsons," the "Company," "we," "us" and "our" refer to Albertsons Companies, Inc. and, where appropriate, its subsidiaries.

NON-GAAP FINANCIAL MEASURES

We define EBITDA as GAAP earnings (net loss) before interest, income taxes, depreciation and amortization. We define Adjusted EBITDA as earnings (net loss) before interest, income taxes, depreciation and amortization, further adjusted to eliminate the effects of items management does not consider in assessing our ongoing core performance. We define Adjusted net income as GAAP Net income adjusted to eliminate the effects of items management does not consider in assessing our ongoing core performance. We define Adjusted net income per Class A common share as Adjusted net income divided by the weighted average diluted Class A common shares outstanding, as adjusted to reflect all RSUs and RSAs outstanding at the end of the period, as well as the conversion of Convertible Preferred Stock when it is antidilutive for GAAP. See "Results of Operations" for further discussion and a reconciliation of Adjusted EBITDA, Adjusted net income and Adjusted net income per Class A common share.

EBITDA, Adjusted EBITDA, Adjusted net income and Adjusted net income per Class A common share (collectively, the "Non-GAAP Measures' are performance measures that provide supplemental information we believe is useful to analysts and investors to evaluate our ongoing results of operations, when considered alongside other GAAP measures such as net income, operating income, gross margin and net income per Class A common share. These Non-GAAP Measures exclude the financial impact of items management does not consider in assessing our ongoing core operating performance, and thereby provide useful measures to analysts and investors of our operating performance on a period-to-period basis. Other companies may have different definitions of Non-GAAP Measures and provide for different adjustments, and comparability to our results of operations may be impacted by such differences. We also use Adjusted EBITDA for board of director and bank compliance reporting. Our presentation of Non-GAAP Measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Non-GAAP Measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Non-GAAP Measures only for supplemental purposes.

SECOND QUARTER OF FISCAL 2024 OVERVIEW

We are one of the largest food retailers in the United States, with 2,267 stores across 34 states and the District of Columbia as of September 7, 2024. We operate more than 20 well known banners including *Albertsons, Safeway, Vons, Pavilions, Randalls, Tom Thumb, Carrs, Jewel-Osco, Acme, Shaw's, Star Market, United Supermarkets, Market Street, Haggen, Kings Food Markets* and *Balducci's Food Lovers Market*, with approximately 285,000 talented and dedicated employees, as of September 7, 2024, who serve on average 36.8 million customers each week. Additionally, as of September 7, 2024, we operated 1,726 pharmacies, 1,330 in-store branded coffee shops, 405 associated fuel centers, 22 dedicated distribution centers, 19 manufacturing facilities and various digital platforms.

Merger Agreement

On October 13, 2022, the Company, The Kroger Co. ("Parent") and Kettle Merger Sub, Inc., a wholly owned subsidiary of Parent ("Merger Sub") entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which Merger Sub will be merged with and into the Company (the "Merger"), with the Company surviving the Merger as the surviving corporation and a direct, wholly owned subsidiary of Parent. For additional information about the Merger, see Note 2 - Merger Agreement in the unaudited interim Condensed Consolidated Financial Statements located elsewhere in this Form 10-Q.

The Company has filed with the SEC a definitive information statement on Schedule 14C with respect to the approval of the Merger and has mailed the definitive information statement to the Company's stockholders. You may obtain copies of all documents filed by the Company with the SEC regarding this transaction, free of charge, at the SEC's website, www.sec.gov or from the Company's website at https://www.albertsonscompanies.com/investors/overview/.

Second quarter of fiscal 2024 highlights

In summary, our financial and operating highlights for the second quarter of fiscal 2024 include:

- Identical sales increased 2.5%
- Digital sales increased 24%
- Loyalty members increased 15% to 43.0 million
- Net income of $146 million, or $0.25 per Class A common share
- Adjusted net income of $301 million, or $0.51 per Class A common share
- Adjusted EBITDA of $901 million

Stores

The following table shows stores operating, opened and closed during the periods presented:

	12 weeks ended		28 weeks ended	
	September 7, 2024	September 9, 2023	September 7, 2024	September 9, 2023
Stores, beginning of period	2,269	2,272	2,269	2,271
Opened	1	1	2	3
Closed	(3)	(1)	(4)	(2)
Stores, end of period	2,267	2,272	2,267	2,272

The following table summarizes our stores by size:

	Number of stores		Percent of Total		Retail Square Feet (1)	
Square Footage	September 7, 2024	September 9, 2023	September 7, 2024	September 9, 2023	September 7, 2024	September 9, 2023
Less than 30,000	214	218	9.5 %	9.6 %	4.9	4.9
30,000 to 50,000	778	779	34.3 %	34.3 %	32.6	32.7
More than 50,000	1,275	1,275	56.2 %	56.1 %	75.3	75.3
Total stores	2,267	2,272	100.0 %	100.0 %	112.8	112.9

(1) In millions, reflects total square footage of retail stores operating at the end of the period.

RESULTS OF OPERATIONS

Comparison of the Second Quarter of Fiscal 2024 and the First 28 weeks of Fiscal 2024 to the Second Quarter of Fiscal 2023 and the First 28 weeks of Fiscal 2023.

The following tables and related discussion set forth certain information and comparisons regarding the components of our Condensed Consolidated Statements of Operations for the 12 and 28 weeks ended September 7, 2024 ("second quarter of fiscal 2024" and "first 28 weeks of fiscal 2024") and 12 and 28 weeks ended September 9, 2023 ("second quarter of fiscal 2023" and "first 28 weeks of fiscal 2023") (dollars in millions, except per share data).

	12 weeks ended			
	September 7, 2024	% of Sales	September 9, 2023	% of Sales
Net sales and other revenue	$ 18,551.5	100.0 %	$ 18,290.7	100.0 %
Cost of sales	13,430.2	72.4	13,249.2	72.4
Gross margin	5,121.3	27.6	5,041.5	27.6
Selling and administrative expenses	4,785.4	25.8	4,595.5	25.1
Loss (gain) on property dispositions and impairment losses, net	43.9	0.2	(8.4)	—
Operating income	292.0	1.6	454.4	2.5
Interest expense, net	103.6	0.6	111.9	0.6
Other expense, net	1.9	—	8.1	—
Income before income taxes	186.5	1.0	334.4	1.9
Income tax expense	41.0	0.2	67.5	0.4
Net income	$ 145.5	0.8 %	$ 266.9	1.5 %
Basic net income per Class A common share	$ 0.25		$ 0.46	
Diluted net income per Class A common share	0.25		0.46	

	28 weeks ended			
	September 7, 2024	% of Sales	September 9, 2023	% of Sales
Net sales and other revenue	$ 42,816.9	100.0 %	$ 42,340.9	100.0 %
Cost of sales	30,956.7	72.3	30,636.7	72.4
Gross margin	11,860.2	27.7	11,704.2	27.6
Selling and administrative expenses	11,059.4	25.8	10,608.4	25.1
Loss on property dispositions and impairment losses, net	49.2	0.1	19.2	—
Operating income	751.6	1.8	1,076.6	2.5
Interest expense, net	249.3	0.6	266.8	0.6
Other expense (income), net	5.9	—	(7.9)	—
Income before income taxes	496.4	1.2	817.7	1.9
Income tax expense	110.2	0.3	133.6	0.3
Net income	$ 386.2	0.9 %	$ 684.1	1.6 %
Basic net income per Class A common share	$ 0.67		$ 1.19	
Diluted net income per Class A common share	0.66		1.18	

Net Sales and Other Revenue

Net sales and other revenue increased 1.4% to $18,551.5 million for the second quarter of fiscal 2024 from $18,290.7 million for the second quarter of fiscal 2023. The increase in Net sales and other revenue was driven by our 2.5% increase in identical sales, with strong growth in pharmacy sales driving the identical sales increase. We also continued to grow our digital sales during the second quarter of fiscal 2024. The increase in Net sales and other revenue was partially offset by lower fuel sales.

Net sales and other revenue increased 1.1% to $42,816.9 million for the first 28 weeks of fiscal 2024 from $42,340.9 million for the first 28 weeks of fiscal 2023. The increase in Net sales and other revenue was primarily driven by our 1.9% increase in identical sales, with strong growth in pharmacy sales driving the identical sales increase. We also continued to grow our digital sales during the first 28 weeks of fiscal 2024. The increase in Net Sales and other revenue was partially offset by lower fuel sales.

Identical Sales, Excluding Fuel

Identical sales include stores operating during the same period in both the current year and the prior year, comparing sales on a daily basis. Direct to consumer digital sales are included in identical sales, and fuel sales are excluded from identical sales. Acquired stores become identical on the one-year anniversary date of the acquisition. Identical sales for the 12 and 28 weeks ended September 7, 2024 and the 12 and 28 weeks ended September 9, 2023, respectively, were:

	12 weeks ended		28 weeks ended	
	September 7, 2024	September 9, 2023	September 7, 2024	September 9, 2023
Identical sales, excluding fuel	2.5%	2.9%	1.9%	4.0%

The following table represents Net sales and other revenue by product type (dollars in millions):

	12 weeks ended				28 weeks ended			
	September 7, 2024		September 9, 2023		September 7, 2024		September 9, 2023	
	Amount (1)	% of Total	Amount (1)	% of Total	Amount (1)	% of Total	Amount (1)	% of Total
Non-perishables (2)	$ 9,265.0	49.9 %	$ 9,236.9	50.5 %	$ 21,319.0	49.8 %	$ 21,323.7	50.4 %
Fresh (3)	5,917.4	31.9	5,919.4	32.4	13,822.3	32.3	13,808.7	32.6
Pharmacy	2,132.0	11.5	1,741.0	9.5	4,754.8	11.1	4,041.1	9.5
Fuel	951.3	5.2	1,126.8	6.1	2,272.2	5.3	2,527.2	6.0
Other (4)	285.8	1.5	266.6	1.5	648.6	1.5	640.2	1.5
Net sales and other revenue	$ 18,551.5	100.0 %	$ 18,290.7	100.0 %	$ 42,816.9	100.0 %	$ 42,340.9	100.0 %

(1) Digital related sales are included in the categories to which the revenue pertains.

(2) Consists primarily of general merchandise, grocery, dairy and frozen foods.

(3) Consists primarily of produce, meat, deli and prepared foods, bakery, floral and seafood.

(4) Consists primarily of wholesale revenue to third parties, commissions, rental income and other miscellaneous revenue.

Gross Margin

Gross margin represents the portion of Net sales and other revenue remaining after deducting Cost of sales during the period, including purchase and distribution costs. These costs include, among other things, purchasing and sourcing costs, inbound freight costs, product quality testing costs, warehouse and distribution costs, Own Brands program costs and digital-related delivery and handling costs. Advertising, promotional expenses and vendor allowances are also components of Cost of sales.

Gross margin rate was unchanged at 27.6% during both the second quarter of fiscal 2024 and the second quarter of fiscal 2023. Excluding the impact of fuel and LIFO expense, gross margin rate decreased 44 basis points compared to the second quarter of fiscal 2023. The strong growth in pharmacy sales, which carries an overall lower gross margin rate, and increases in picking and delivery costs related to the continued growth in our digital sales were the

primary drivers of the decrease, partially offset by the benefits from our procurement and sourcing productivity initiatives.

Gross margin rate increased to 27.7% during the first 28 weeks of fiscal 2024 compared to 27.6% during the first 28 weeks of fiscal 2023. Excluding the impact of fuel and LIFO expense, gross margin rate decreased 31 basis points compared to the first 28 weeks of fiscal 2023. The strong growth in pharmacy sales, which carries an overall lower gross margin rate, increases in shrink during the first quarter of fiscal 2024, and increases in picking and delivery costs related to the continued growth in our digital sales were the primary drivers of the decrease, partially offset by the benefits from our procurement and sourcing productivity initiatives.

Selling and Administrative Expenses

Selling and administrative expenses consist primarily of store level costs, including wages, employee benefits, rent, depreciation and utilities, in addition to certain back-office expenses related to our corporate and division offices.

Selling and administrative expenses increased to 25.8% of Net sales and other revenue during the second quarter of fiscal 2024 compared to 25.1% during the second quarter of fiscal 2023. Excluding the impact of fuel, Selling and administrative expenses as a percentage of Net sales and other revenue increased 41 basis points. The increase in Selling and administrative expenses as a percentage of Net sales and other revenue was primarily attributable to an increase in operating expenses related to the ongoing development of our digital and omnichannel capabilities, Merger-related costs, higher employee costs, increased business transformation costs and additional third-party store security services, partially offset by the benefits from our productivity initiatives.

Selling and administrative expenses increased to 25.8% of Net sales and other revenue during the first 28 weeks of fiscal 2024 compared to 25.1% of Net sales and other revenue for the first 28 weeks of fiscal 2023. Excluding the impact of fuel, Selling and administrative expenses as a percentage of Net sales and other revenue increased 63 basis points during the first 28 weeks of fiscal 2024 compared to the first 28 weeks of fiscal 2023. The increase in Selling and administrative expenses as a percentage of Net sales and other revenue was primarily attributable to an increase in operating expenses related to the ongoing development of our digital and omnichannel capabilities, Merger-related costs, higher employee costs, increased store occupancy costs and additional third-party store security services, partially offset by the benefits from our productivity initiatives.

Loss (Gain) on Property Dispositions and Impairment Losses, Net

For the second quarter of fiscal 2024, net loss on property dispositions and impairment losses was $43.9 million, primarily driven by $53.3 million of asset impairments including impairment losses of $39.8 million primarily related to equipment from the closing of our micro-fulfillment centers and $13.5 million of retail store impairment losses, partially offset by $9.4 million of gains from the sale of real estate assets. For the second quarter of fiscal 2023, net gain on property dispositions and impairment losses was $8.4 million, primarily driven by $8.4 million of gains from the sale of real estate assets.

For the first 28 weeks of fiscal 2024, net loss on property dispositions and impairment losses was $49.2 million, primarily driven by $56.8 million of asset impairments including impairment losses of $39.8 million primarily related to equipment from the closing of our micro-fulfillment centers, $13.5 million of retail store impairment losses and $3.5 million related to certain technology assets, partially offset by $7.6 million of gains from the sale of real estate assets. For the first 28 weeks of fiscal 2023, net loss on property dispositions and impairment losses was $19.2 million, primarily driven by the write-off of certain technology assets, partially offset by net gains from the sale of real estate assets.

Interest Expense, Net

Interest expense, net was $103.6 million during the second quarter of fiscal 2024 compared to $111.9 million during the second quarter of fiscal 2023. The decrease in interest expense, net was primarily attributable to lower average outstanding borrowings. The weighted average interest rate during the second quarter of fiscal 2024 was 5.5%, excluding amortization and write-off of deferred financing costs and original issue discount, compared to 5.6% during the second quarter of fiscal 2023.

Interest expense, net was $249.3 million during the first 28 weeks of fiscal 2024 compared to $266.8 million during the first 28 weeks of fiscal 2023. The decrease in interest expense, net was primarily attributable to lower average outstanding borrowings. The weighted average interest rate during first 28 weeks of fiscal 2024 was 5.5%, excluding amortization and write-off of deferred financing costs and original issue discount, compared to 5.6% during the first 28 weeks of fiscal 2023.

Other Expense (Income), Net

For the second quarter of fiscal 2024, Other expense, net was $1.9 million compared to $8.1 million for the second quarter of fiscal 2023. Other expense, net during the second quarter of fiscal 2024 was primarily driven by non-service cost components of net pension and post-retirement expense, partially offset by unrealized gains from non-operating investments. Other expense, net during the second quarter of fiscal 2023 was primarily driven by realized and unrealized losses from non-operating investments, partially offset by non-service cost components of net pension and post-retirement income.

For the first 28 weeks of fiscal 2024, Other expense, net was $5.9 million compared to other income, net of $7.9 million for the first 28 weeks of fiscal 2023. Other expense, net during the first 28 weeks of fiscal 2024 was primarily driven by unrealized losses from non-operating investments, partially offset by non-service cost components of net pension and post-retirement income. Other income, net during the first 28 weeks of fiscal 2023 was primarily driven by non-service cost components of net pension and post-retirement income and income related to our equity interest and gain on sale of El Rancho in the first quarter of fiscal 2023, partially offset by realized and unrealized losses from non-operating investments.

Income Taxes

Income tax expense was $41.0 million, representing a 22.0% effective tax rate, for the second quarter of fiscal 2024. Income tax expense was $67.5 million, representing a 20.2% effective tax rate, for the second quarter of fiscal 2023. The increase in the effective income tax rate in the second quarter of fiscal 2024 was primarily driven by the recognition of discrete state income tax benefits related to audit settlements and favorable legislation during the second quarter of fiscal 2023.

Income tax expense was $110.2 million, representing a 22.2% effective tax rate, for the first 28 weeks of fiscal 2024. Income tax expense was $133.6 million, representing a 16.3% effective tax rate, for the first 28 weeks of fiscal 2023. The increase in the effective income tax rate was primarily driven by the reduction of a reserve of $49.7 million for an uncertain tax position due to the expiration of a foreign statute during the first quarter of fiscal 2023.

Net Income and Adjusted Net Income

Net income was $145.5 million, or $0.25 per Class A common share, during the second quarter of fiscal 2024 compared to $266.9 million, or $0.46 per Class A common share, during the second quarter of fiscal 2023. Adjusted

net income was $301.0 million, or $0.51 per Class A common share, during the second quarter of fiscal 2024 compared to $367.7 million, or $0.63 per Class A common share, during the second quarter of fiscal 2023.

Net income was $386.2 million, or $0.66 per Class A common share, during the first 28 weeks of fiscal 2024 compared to $684.1, or $1.18 per Class A common share, during the first 28 weeks of fiscal 2023. The first 28 weeks of fiscal 2023 included the $49.7 million or $0.09 per share benefit related to the reduction in the reserve for an uncertain tax position. Adjusted net income was $692.6 million, or $1.17 per Class A common share, during the first 28 weeks of fiscal 2024 compared to $913.4 million, or $1.56 per Class A common share (which includes the tax benefit discussed above), during the first 28 weeks of fiscal 2023.

Adjusted EBITDA

For the second quarter of fiscal 2024, Adjusted EBITDA was $900.6 million, or 4.9% of Net sales and other revenue, compared to $976.9 million, or 5.3% of Net sales and other revenue, for the second quarter of fiscal 2023. For the first 28 weeks of fiscal 2024, Adjusted EBITDA was $2,084.5 million, or 4.9% of Net sales and other revenue, compared to $2,295.4 million, or 5.4% of Net sales and other revenue for the first 28 weeks of fiscal 2023.

Reconciliation of Non-GAAP Measures

The following tables reconcile Net income to Adjusted net income, and Net income per Class A common share to Adjusted net income per Class A common share (in millions, except per share data):

	12 weeks ended		28 weeks ended	
	September 7, 2024	**September 9, 2023**	**September 7, 2024**	**September 9, 2023**
Numerator:				
Net income	$ 145.5	$ 266.9	$ 386.2	$ 684.1
Adjustments:				
Loss (gain) on energy hedges, net (d)	2.4	(4.8)	1.6	(5.4)
Business transformation (1)(b)	20.5	13.5	37.8	25.6
Equity-based compensation expense (b)	29.5	25.3	66.2	57.2
Loss (gain) on property dispositions and impairment losses, net	43.9	(8.4)	49.2	19.2
LIFO expense (a)	4.8	26.2	19.4	60.2
Merger-related costs (2)(b)	67.4	41.2	159.7	88.3
Certain legal and regulatory accruals and settlements, net (b)	8.7	—	(0.2)	—
Amortization of debt discount and deferred financing costs (c)	3.6	3.6	8.5	8.3
Amortization of intangible assets resulting from acquisitions (b)	11.1	11.1	25.8	26.5
Miscellaneous adjustments (3)(f)	11.4	23.0	31.2	20.6
Tax impact of adjustments to Adjusted net income	(47.8)	(29.9)	(92.8)	(71.2)
Adjusted net income	$ 301.0	$ 367.7	$ 692.6	$ 913.4
Denominator:				
Weighted average Class A common shares outstanding - diluted	583.2	581.9	582.4	580.3
Adjustments:				
Convertible Preferred Stock (4)	—	—	—	0.6
Restricted stock units and awards (5)	8.0	5.1	8.2	5.4
Adjusted weighted average Class A common shares outstanding - diluted	591.2	587.0	590.6	586.3
Adjusted net income per Class A common share - diluted	$ 0.51	$ 0.63	$ 1.17	$ 1.56

	12 weeks ended		28 weeks ended	
	September 7, 2024	**September 9, 2023**	**September 7, 2024**	**September 9, 2023**
Net income per Class A common share - diluted	$ 0.25	$ 0.46	$ 0.66	$ 1.18
Non-GAAP adjustments (6)	0.27	0.17	0.53	0.39
Restricted stock units and awards (5)	(0.01)	—	(0.02)	(0.01)
Adjusted net income per Class A common share - diluted	$ 0.51	$ 0.63	$ 1.17	$ 1.56

The following table is a reconciliation of Adjusted net income to Adjusted EBITDA:

	12 weeks ended		28 weeks ended	
	September 7, 2024	September 9, 2023	September 7, 2024	September 9, 2023
Adjusted net income (7)	$ 301.0	$ 367.7	$ 692.6	$ 913.4
Tax impact of adjustments to Adjusted net income	47.8	29.9	92.8	71.2
Income tax expense	41.0	67.5	110.2	133.6
Amortization of debt discount and deferred financing costs (c)	(3.6)	(3.6)	(8.5)	(8.3)
Interest expense, net	103.6	111.9	249.3	266.8
Amortization of intangible assets resulting from acquisitions (b)	(11.1)	(11.1)	(25.8)	(26.5)
Depreciation and amortization (e)	421.9	414.6	973.9	945.2
Adjusted EBITDA	$ 900.6	$ 976.9	$ 2,084.5	$ 2,295.4

(1) Includes costs associated with third-party consulting fees related to our operational priorities and associated business transformation.

(2) Primarily relates to third-party legal and advisor fees and retention program expense related to the proposed Merger.

(3) Miscellaneous adjustments include the following (see table below):

	12 weeks ended		28 weeks ended	
	September 7, 2024	September 9, 2023	September 7, 2024	September 9, 2023
Non-cash lease-related adjustments	$ 0.9	$ 0.3	$ 1.9	$ 0.3
Lease and lease-related costs for surplus and closed stores	3.7	4.2	9.1	10.8
Net realized and unrealized (gain) loss on non-operating investments	(0.6)	8.9	2.6	4.3
Other (i)	7.4	9.6	17.6	5.2
Total miscellaneous adjustments	$ 11.4	$ 23.0	$ 31.2	$ 20.6

(i) Primarily includes adjustments for pension settlement loss, unconsolidated equity investments and other costs not considered in our core performance.

(4) Represents the conversion of convertible preferred stock to the fully outstanding as-converted Class A common shares as of the end of each respective period, for periods in which the convertible preferred stock is antidilutive under GAAP.

(5) Represents incremental unvested RSUs and unvested RSAs to adjust the diluted weighted average Class A common shares outstanding during each respective period to the fully outstanding RSUs and RSAs as of the end of each respective period.

(6) Reflects the per share impact of Non-GAAP adjustments for each period. See the reconciliation of Net income to Adjusted net income above for further details.

(7) See the reconciliation of Net income to Adjusted net income above for further details.

Non-GAAP adjustment classifications within the Condensed Consolidated Statements of Operations:

(a) Cost of sales

(b) Selling and administrative expenses

(c) Interest expense, net

(d) Loss (gain) on energy hedges, net:

	12 weeks ended		28 weeks ended	
	September 7, 2024	September 9, 2023	September 7, 2024	September 9, 2023
Cost of sales	$ 2.3	$ (5.1)	$ 2.4	$ (3.8)
Selling and administrative expenses	0.1	0.3	(0.8)	(1.6)
Total Loss (gain) on energy hedges, net	$ 2.4	$ (4.8)	$ 1.6	$ (5.4)

(e) Depreciation and amortization:

	12 weeks ended		28 weeks ended	
	September 7, 2024	September 9, 2023	September 7, 2024	September 9, 2023
Cost of sales	$ 41.8	$ 38.3	$ 95.4	$ 85.0
Selling and administrative expenses	380.1	376.3	878.5	860.2
Total Depreciation and amortization	$ 421.9	$ 414.6	$ 973.9	$ 945.2

(f) Miscellaneous adjustments:

	12 weeks ended		28 weeks ended	
	September 7, 2024	September 9, 2023	September 7, 2024	September 9, 2023
Selling and administrative expenses	$ 12.0	$ 11.9	$ 24.4	$ 21.9
Other expense (income), net	(0.6)	11.1	6.8	(1.3)
Total Miscellaneous adjustments	$ 11.4	$ 23.0	$ 31.2	$ 20.6

LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth the major sources and uses of cash and cash equivalents and restricted cash for each period (in millions):

	28 weeks ended	
	September 7, 2024	September 9, 2023
Cash and cash equivalents and restricted cash at end of period	$ 284.2	$ 270.5
Cash flows provided by operating activities	1,374.1	1,347.9
Cash flows used in investing activities	(925.3)	(890.1)
Cash flows used in financing activities	(357.8)	(651.1)

Net Cash Provided by Operating Activities

Net cash provided by operating activities was $1,374.1 million for the first 28 weeks of fiscal 2024 compared to $1,347.9 million for the first 28 weeks of fiscal 2023. The change in cash flow from operations compared to the first 28 weeks of fiscal 2023 was due to changes in working capital, primarily related to lower inventory, a decrease in multiemployer pension withdrawal liability payments and less cash paid for taxes and interest, partially offset by a decrease in Adjusted EBITDA, higher Merger-related costs and an increase in contributions to our defined benefit pension plans during the first 28 weeks of fiscal 2024.

Net Cash Used in Investing Activities

Net cash used in investing activities was $925.3 million for the first 28 weeks of fiscal 2024 compared to $890.1 million for the first 28 weeks of fiscal 2023.

For the first 28 weeks of fiscal 2024, cash used in investing activities consisted primarily of payments for property, equipment and intangibles of $952.3 million, partially offset by proceeds from the sale of assets of $19.8 million, primarily related to real estate. Payments for property, equipment and intangibles in the first 28 weeks of fiscal 2024 included the completion of 44 remodels, the opening of two new stores and continued investment in our digital and technology platforms. For the first 28 weeks of fiscal 2023, cash used in investing activities consisted primarily of payments for property, equipment and intangibles of $1,084.3 million, partially offset by proceeds from the sale of assets of $195.1 million, primarily related to the sale of our equity interest in El Rancho during the first quarter of

fiscal 2023. Payments for property, equipment and intangibles in the first 28 weeks of fiscal 2023 included the completion of 80 remodels, the opening of three new stores and continued investment in our digital and technology platforms.

Net Cash Used in Financing Activities

Net cash used in financing activities was $357.8 million during the first 28 weeks of fiscal 2024 compared to net cash used in financing activities of $651.1 million during the first 28 weeks of fiscal 2023.

Net cash used in financing activities during the first 28 weeks of fiscal 2024 consisted primarily of the $200.0 million repayment of the ABL Facility, dividends paid on our Class A common stock and tax withholding payments on vesting of RSUs, partially offset by $50.0 million of proceeds from the issuance of long-term debt under the ABL Facility. Net cash used in financing activities during the first 28 weeks of fiscal 2023 consisted primarily of the $500.0 million partial repayment of the ABL Facility, dividends paid on our Class A common stock and tax withholding payments on vesting of RSUs, partially offset by $50.0 million of proceeds from the issuance of long-term debt under the ABL Facility.

Dividends

We have established a dividend policy pursuant to which we intend to pay a quarterly dividend on our Class A common stock. Cash dividends paid on our Class A common stock were $139.0 million ($0.24 per common share) and $138.0 million ($0.24 per common share) during the first 28 weeks of fiscal 2024 and first 28 weeks of fiscal 2023, respectively. On October 15, 2024, we announced the next quarterly dividend payment of $0.12 per share of Class A common stock to be paid on November 8, 2024 to stockholders of record as of the close of business on October 28, 2024.

Liquidity

Based on current operating trends, we believe that we have significant sources of cash to meet our liquidity needs for the next 12 months and for the foreseeable future, including cash on hand, cash flows from operating activities and other sources of liquidity, including the ABL Facility. We estimate our liquidity needs over the next 12 months to be approximately $5.1 billion, which includes anticipated requirements for working capital, Merger costs, capital expenditures, pension obligations, interest payments, quarterly dividends on Class A common stock, operating leases and finance leases. In addition, we may enter into refinancing and sale leaseback transactions from time to time. We believe we have adequate cash flow to continue to maintain our current debt ratings and to respond effectively to competitive conditions.

As of September 7, 2024, we had $50.0 million borrowings outstanding under our ABL Facility and total availability of $3,908.3 million (net of letter of credit usage).

CRITICAL ACCOUNTING POLICIES

The preparation of Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. We have chosen accounting policies that we believe are appropriate to report accurately and fairly our operating results and financial position, and we apply those accounting policies in a fair and consistent manner. See the Critical Accounting Policies section included in our Annual Report on Form 10-K for the fiscal year ended February 24, 2024, filed with the SEC on April 22, 2024, for a discussion of our significant accounting policies.

RECENTLY ISSUED AND RECENTLY ADOPTED ACCOUNTING STANDARDS

See Note 1 - Basis of Presentation and Summary of Significant Accounting Policies of our unaudited interim Condensed Consolidated Financial Statements located elsewhere in this Form 10-Q.

Item 3 - Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our exposure to market risk from the information provided in our Annual Report on Form 10-K for the fiscal year ended February 24, 2024, filed with the SEC on April 22, 2024.

Item 4 - Controls and Procedures

Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this Form 10-Q, our Principal Executive Officer and Principal Financial Officer concluded our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the second quarter of fiscal 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

The Company is subject from time to time to various claims and lawsuits arising in the ordinary course of business, including lawsuits involving trade practices, lawsuits alleging violations of state and/or federal wage and hour laws (including alleged violations of meal and rest period laws and alleged misclassification issues), real estate disputes and other matters. Some of these claims or suits purport or may be determined to be class actions and/or seek substantial damages. It is the opinion of the Company's management that although the amount of liability with respect to certain of the matters described in this Form 10-Q cannot be ascertained at this time, any resulting liability of these and other matters, including any punitive damages, will not have a material adverse effect on the Company's business or overall financial condition. See the matters under the caption *Legal Proceedings* in Note 6 - Commitments and Contingencies and Off Balance Sheet Arrangements in the unaudited interim Condensed Consolidated Financial Statements located elsewhere in this Form 10-Q.

The Company continually evaluates its exposure to loss contingencies arising from pending or threatened litigation and believes it has made provisions where the loss contingency is probable and can be reasonably estimated. Nonetheless, assessing and predicting the outcomes of these matters involves substantial uncertainties. While management currently believes that the aggregate estimated liabilities currently recorded are reasonable, it remains possible that differences in actual outcomes or changes in management's evaluation or predictions could arise that could be material to the Company's results of operations or cash flows.

Environmental Matters

Our operations are subject to regulation under environmental laws, including those relating to waste management, air emissions and underground storage tanks. In addition, as an owner and operator of commercial real estate, we may be subject to liability under applicable environmental laws for clean-up of contamination at our facilities. SEC regulations require us to disclose certain environmental matters arising under federal, state or local environmental provisions if we reasonably believe that such proceedings may result in monetary sanctions above a stated threshold. Pursuant to SEC regulations, we use a threshold of $1 million for purposes of determining whether disclosure of any such proceedings is required.

Item 1A - Risk Factors

There have been no material changes to the risk factors previously included in our Annual Report on Form 10-K for the fiscal year ended February 24, 2024, filed with the SEC on April 22, 2024, under the heading "Risk Factors."

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

(a) Unregistered Sales of Equity Securities

None.

(b) Use of Proceeds

None.

(c) Purchases of Equity Securities

None.

Item 3 - Defaults Upon Senior Securities

None.

Item 4 - Mine Safety Disclosures

Not Applicable.

Item 5 - Other Information

In the second quarter of fiscal 2024, none of the Company's directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement, as defined in Item 408(a) of Regulation S-K.

Item 6 - Exhibits

31.1 Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of the Principal Executive Officer and of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

EXHIBIT 101.INS - Inline XBRL Instance Document

EXHIBIT 101.SCH - Inline XBRL Taxonomy Extension Schema Document

EXHIBIT 101.CAL - Inline XBRL Taxonomy Extension Calculation Linkbase Document

EXHIBIT 101.DEF - Inline XBRL Taxonomy Extension Definition Linkbase Document

EXHIBIT 101.LAB - Inline XBRL Taxonomy Extension Label Linkbase Document

EXHIBIT 101.PRE - Inline XBRL Taxonomy Extension Presentation Linkbase Document

EXHIBIT 104 - Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Albertsons Companies, Inc.
(Registrant)

Date: October 15, 2024

By: /s/ Vivek Sankaran
Vivek Sankaran
Chief Executive Officer and Director
(Principal Executive Officer)

Date: October 15, 2024

By: /s/ Sharon McCollam
Sharon McCollam
President and Chief Financial Officer
(Principal Financial Officer)