

**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 9, 2023**

**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**

**(State or other jurisdiction of incorporation or organization)**

**47-4376911**

**(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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 13, 2023, the registrant had 575,892,726 shares of Class A common stock, par value \$0.01 per share, outstanding.

# Albertsons Companies, Inc. and Subsidiaries

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## PART I - FINANCIAL INFORMATION

## Item 1 - Condensed Consolidated Financial Statements (unaudited)

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

	September 9, 2023	February 25, 2023
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 266.1	\$ 455.8
Receivables, net	710.1	687.6
Inventories, net	5,048.3	4,782.0
Other current assets	397.1	345.0
<b>Total current assets</b>	<b>6,421.6</b>	<b>6,270.4</b>
Property and equipment, net	9,431.1	9,358.7
Operating lease right-of-use assets	5,955.9	5,879.1
Intangible assets, net	2,460.7	2,465.4
Goodwill	1,201.0	1,201.0
Other assets	852.2	993.6
<b>TOTAL ASSETS</b>	<b>\$ 26,322.5</b>	<b>\$ 26,168.2</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 4,149.7	\$ 4,173.1
Accrued salaries and wages	1,293.7	1,317.4
Current maturities of long-term debt and finance lease obligations	638.8	1,075.7
Current maturities of operating lease obligations	668.8	664.8
Other current liabilities	1,172.5	1,197.8
<b>Total current liabilities</b>	<b>7,923.5</b>	<b>8,428.8</b>
Long-term debt and finance lease obligations	7,810.8	7,834.4
Long-term operating lease obligations	5,543.0	5,386.2
Deferred income taxes	831.6	854.0
Other long-term liabilities	1,997.0	2,008.4
Commitments and contingencies		
Series A convertible preferred stock, \$0.01 par value; 1,750,000 shares authorized, no shares issued and outstanding as of September 9, 2023 and 50,000 shares issued and outstanding as of February 25, 2023	—	45.7
Series A-1 convertible preferred stock, \$0.01 par value; 1,410,000 shares authorized, no shares issued and outstanding as of September 9, 2023 and February 25, 2023	—	—
<b>STOCKHOLDERS' EQUITY</b>		
Undesignated preferred stock, \$0.01 par value; 96,840,000 shares authorized, no shares issued as of September 9, 2023 and February 25, 2023	—	—
Class A common stock, \$0.01 par value; 1,000,000,000 shares authorized, 594,227,946 and 590,968,600 shares issued as of September 9, 2023 and February 25, 2023, respectively	5.9	5.9
Class A-1 convertible common stock, \$0.01 par value; 150,000,000 shares authorized, no shares issued as of September 9, 2023 and February 25, 2023	—	—
Additional paid-in capital	2,089.6	2,072.7
Treasury stock, at cost, 18,397,745 and 21,300,945 shares held as of September 9, 2023 and February 25, 2023, respectively	(304.2)	(352.2)
Accumulated other comprehensive income	68.9	69.3
Retained earnings (accumulated deficit)	356.4	(185.0)
<b>Total stockholders' equity</b>	<b>2,216.6</b>	<b>1,610.7</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 26,322.5</b>	<b>\$ 26,168.2</b>

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 9, 2023	September 10, 2022	September 9, 2023	September 10, 2022
<b>Net sales and other revenue</b>	\$ 18,290.7	\$ 17,919.4	\$ 42,340.9	\$ 41,229.7
<b>Cost of sales</b>	13,249.2	12,914.8	30,636.7	29,680.1
<b>Gross margin</b>	5,041.5	5,004.6	11,704.2	11,549.6
<b>Selling and administrative expenses</b>	4,595.5	4,487.6	10,608.4	10,351.9
<b>(Gain) loss on property dispositions and impairment losses, net</b>	(8.4)	(14.0)	19.2	(93.4)
<b>Operating income</b>	454.4	531.0	1,076.6	1,291.1
<b>Interest expense, net</b>	111.9	89.8	266.8	228.7
<b>Other expense (income), net</b>	8.1	(18.9)	(7.9)	(25.2)
<b>Income before income taxes</b>	334.4	460.1	817.7	1,087.6
<b>Income tax expense</b>	67.5	117.4	133.6	260.7
<b>Net income</b>	\$ 266.9	\$ 342.7	\$ 684.1	\$ 826.9
<b>Other comprehensive income (loss), net of tax</b>				
Recognition of pension (loss) gain	(1.9)	0.1	(2.5)	0.3
Other	0.4	(0.2)	2.1	(3.2)
<b>Other comprehensive (loss) income</b>	\$ (1.5)	\$ (0.1)	\$ (0.4)	\$ (2.9)
<b>Comprehensive income</b>	\$ 265.4	\$ 342.6	\$ 683.7	\$ 824.0
<b>Net income per Class A common share</b>				
Basic net income per Class A common share	\$ 0.46	\$ 0.61	\$ 1.19	\$ 1.44
Diluted net income per Class A common share	0.46	0.59	1.18	1.43
<b>Weighted average Class A common shares outstanding (in millions)</b>				
Basic	576.0	531.9	574.7	521.3
Diluted	581.9	576.3	580.3	525.9

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 9, 2023	September 10, 2022
<b>Cash flows from operating activities:</b>		
Net income	\$ 684.1	\$ 826.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (gain) on property dispositions and impairment losses, net	19.2	(93.4)
Depreciation and amortization	945.2	959.8
Operating lease right-of-use assets amortization	357.0	349.4
LIFO expense	60.2	116.9
Deferred income tax	(85.8)	58.3
Contributions to pension and post-retirement benefit plans, net of (income) expense	(12.1)	(16.1)
Gain on interest rate swaps and energy hedges, net	(5.4)	(14.9)
Deferred financing costs	8.4	9.1
Equity-based compensation expense	57.2	63.2
Other operating activities	(6.9)	(10.8)
Changes in operating assets and liabilities:		
Receivables, net	(21.3)	(92.5)
Inventories, net	(326.6)	(362.5)
Accounts payable, accrued salaries and wages and other accrued liabilities	35.1	43.5
Operating lease liabilities	(274.7)	(265.4)
Self-insurance assets and liabilities	40.3	35.1
Other operating assets and liabilities	(126.0)	45.5
<b>Net cash provided by operating activities</b>	<b>1,347.9</b>	<b>1,652.1</b>
<b>Cash flows from investing activities:</b>		
Payments for property, equipment and intangibles, including lease buyouts	(1,084.3)	(1,060.7)
Proceeds from sale of assets	195.1	94.2
Other investing activities	(0.9)	(11.2)
<b>Net cash used in investing activities</b>	<b>(890.1)</b>	<b>(977.7)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of long-term debt, including ABL facility	50.0	—
Payments on long-term borrowings, including ABL facility	(500.5)	(0.2)
Payments of obligations under finance leases	(29.1)	(29.9)
Dividends paid on common stock	(138.0)	(126.7)
Dividends paid on convertible preferred stock	(0.8)	(34.5)
Employee tax withholding on vesting of restricted stock units	(35.1)	(40.3)
Other financing activities	2.4	5.0
<b>Net cash used in financing activities</b>	<b>(651.1)</b>	<b>(226.6)</b>
<b>Net (decrease) increase in cash and cash equivalents and restricted cash</b>	<b>(193.3)</b>	<b>447.8</b>
<b>Cash and cash equivalents and restricted cash at beginning of period</b>	<b>463.8</b>	<b>2,952.6</b>
<b>Cash and cash equivalents and restricted cash at end of period</b>	<b>\$ 270.5</b>	<b>\$ 3,400.4</b>

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 (accumulated deficit)	Total stockholders' equity
	Shares	Amount		Shares	Amount			
<b>Balance as of February 25, 2023</b>	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)	—
<b>Balance as of June 17, 2023</b>	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)	—
<b>Balance as of September 9, 2023</b>	594,227,946	\$ 5.9	\$ 2,089.6	18,397,745	\$ (304.2)	\$ 68.9	\$ 356.4	\$ 2,216.6

**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			
<b>Balance as of February 26, 2022</b>	587,904,283	\$ 5.9	\$ 2,032.2	99,640,065	\$ (1,647.4)	\$ 69.0	\$ 2,564.9	\$ 3,024.6
Equity-based compensation	—	—	35.3	—	—	—	—	35.3
Shares issued and employee tax withholding on vesting of restricted stock units	2,479,845	—	(37.3)	—	—	—	—	(37.3)
Convertible preferred stock conversions	—	—	(32.5)	(40,863,977)	675.6	—	—	643.1
Cash dividends declared on common stock (\$0.12 per common share)	—	—	—	—	—	—	(63.0)	(63.0)
Dividends accrued on convertible preferred stock	—	—	—	—	—	—	(13.7)	(13.7)
Net income	—	—	—	—	—	—	484.2	484.2
Other comprehensive loss, net of tax	—	—	—	—	—	(2.8)	—	(2.8)
Other activity	—	—	0.5	—	—	—	(0.3)	0.2
<b>Balance as of June 18, 2022</b>	590,384,128	\$ 5.9	\$ 1,998.2	58,776,088	\$ (971.8)	\$ 66.2	\$ 2,972.1	\$ 4,070.6
Equity-based compensation	—	—	27.9	—	—	—	—	27.9
Shares issued and employee tax withholding on vesting of restricted stock units	179,020	—	(3.0)	—	—	—	—	(3.0)
Convertible preferred stock conversions	—	—	(1.2)	(1,475,483)	24.4	—	—	23.2
Cash dividends declared on common stock (\$0.12 per common share)	—	—	—	—	—	—	(63.7)	(63.7)
Dividends accrued on convertible preferred stock	—	—	—	—	—	—	(10.4)	(10.4)
Net income	—	—	—	—	—	—	342.7	342.7
Other comprehensive loss, net of tax	—	—	—	—	—	(0.1)	—	(0.1)
Other activity	—	—	0.6	—	—	—	(0.8)	(0.2)
<b>Balance as of September 10, 2022</b>	590,563,148	\$ 5.9	\$ 2,022.5	57,300,605	\$ (947.4)	\$ 66.1	\$ 3,239.9	\$ 4,387.0

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 25, 2023 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 25, 2023, filed with the Securities and Exchange Commission (the "SEC") on April 25, 2023. 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 9, 2023 and September 10, 2022.

***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 and funds held in escrow. The Company had \$4.4 million and \$8.0 million of restricted cash as of September 9, 2023 and February 25, 2023, 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 \$26.2 million and \$54.8 million for the 12 weeks ended September 9, 2023 and September 10, 2022, respectively, and \$60.2 million and \$116.9 million for the 28 weeks ended September 9, 2023 and September 10, 2022, respectively.

**Equity method investments:** The Company's equity method investments 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 Preferred Stock:** During the first quarter of fiscal 2023, the remaining 50,000 shares of the Company's Series A convertible preferred stock ("Series A preferred stock") were converted into 2,903,200 shares of the Company's Class A common stock. As a result, the Company has issued in the aggregate, 101,611,902 shares of Class A common stock to holders of Series A preferred stock and Series A-1 convertible preferred stock ("Series A-1 preferred stock" and together with the Series A preferred stock, the "Convertible Preferred Stock"). These non-cash conversions represent 100% of the originally issued Convertible Preferred Stock. As of September 9, 2023, no shares of Convertible Preferred Stock are outstanding.

Concurrent with the issuance and sale of the Convertible Preferred Stock during the first quarter of fiscal 2020, a consolidated real estate subsidiary of the Company entered into a real estate agreement with an affiliate of the holders of the Convertible Preferred Stock. Under the terms of the real estate agreement, the Company placed fee owned real estate properties into its real estate subsidiary and contributed \$36.5 million of cash into a restricted escrow account, with a total value of \$2.9 billion (165% of the liquidation preference of the Convertible Preferred

Stock at the time of issue). The real estate agreement provided that the Company may release properties and/or cash from the restricted escrow account if the holders of Convertible Preferred Stock convert their shares into Class A common stock, provided that certain conversion thresholds are met. Due to the conversion of 100% of the originally issued Convertible Preferred Stock discussed above, all real estate properties and cash have been released from the restricted escrow account and transferred to the Company. As of September 9, 2023, no assets of the Company were held in the restricted escrow account.

**Income taxes:** 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 \$117.4 million, representing a 25.5% effective tax rate, for the 12 weeks ended September 10, 2022. The Company's effective tax rate for the 12 weeks ended September 10, 2022 differs from the federal income tax statutory rate of 21% primarily due to state income taxes.

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. Income tax expense was \$260.7 million, representing a 24.0% effective tax rate, for the 28 weeks ended September 10, 2022. The Company's effective tax rate for the 28 weeks ended September 10, 2022 differs from the federal income tax statutory rate of 21% primarily due to state income taxes, partially reduced by vesting of equity-based compensation.

**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 \$354.0 million and \$313.5 million as of September 9, 2023 and February 25, 2023, 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 9, 2023 and February 25, 2023.

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 ("breakage") 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 \$97.9 million and \$115.0 million as of September 9, 2023 and February 25, 2023, 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 9, 2023		September 10, 2022		September 9, 2023		September 10, 2022	
	Amount (1)	% of Total	Amount (1)	% of Total	Amount (1)	% of Total	Amount (1)	% of Total
Non-perishables (2)	\$ 9,236.9	50.5 %	\$ 9,004.5	50.3 %	\$ 21,323.7	50.4 %	\$ 20,450.5	49.6 %
Fresh (3)	5,919.4	32.4	5,944.5	33.2	13,808.7	32.6	13,826.0	33.5
Pharmacy	1,741.0	9.5	1,476.3	8.2	4,041.1	9.5	3,399.8	8.3
Fuel	1,126.8	6.1	1,202.8	6.7	2,527.2	6.0	2,857.5	6.9
Other (4)	266.6	1.5	291.3	1.6	640.2	1.5	695.9	1.7
Net sales and other revenue	\$ 18,290.7	100.0 %	\$ 17,919.4	100.0 %	\$ 42,340.9	100.0 %	\$ 41,229.7	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 and other miscellaneous revenue.

**Recently issued accounting standards:** There were no accounting standards recently issued that had or are expected to have a material impact on the Company's Consolidated Financial Statements and related disclosures.

### NOTE 2 - MERGER AGREEMENT

On October 13, 2022, the Company, The Kroger Co. ("Kroger" or "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 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. The stores 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 transaction is subject to fulfillment of customary closing conditions, including clearance by the Federal Trade Commission and the completion of the proposed Merger.

The Merger Agreement provides for certain termination rights for the Company and Parent, including by mutual written consent and if the Closing does not occur on or prior to January 13, 2024 (the "Outside Date"), provided that the Outside Date may be extended by either party for up to 270 days in the aggregate. The Parent will be obligated to pay a termination fee of \$600 million 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.

### **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 9, 2023 (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)	\$ 18.2	\$ 5.0	\$ 13.2	\$ —
Non-current investments (2)	101.6	5.1	96.5	—
Derivative contracts (3)	4.6	—	4.6	—
<b>Total</b>	<b>\$ 124.4</b>	<b>\$ 10.1</b>	<b>\$ 114.3</b>	<b>\$ —</b>

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

(2) Primarily relates to 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.

The following table presents certain assets which were measured at fair value on a recurring basis as of February 25, 2023 (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)	\$ 21.4	\$ 4.6	\$ 16.8	\$ —
Non-current investments (2)	99.3	—	99.3	—
Derivative contracts (3)	1.5	—	1.5	—
<b>Total</b>	<b>\$ 122.2</b>	<b>\$ 4.6</b>	<b>\$ 117.6</b>	<b>\$ —</b>

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

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

(3) Primarily relates to energy derivative contracts and interest rate swaps. Included in Other assets.

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 9, 2023, the fair value of total debt was \$7,687.1 million compared to the carrying value of \$8,034.5 million, excluding debt discounts and deferred financing costs. As of February 25, 2023, the fair value of total debt was \$8,009.1 million compared to the carrying value of \$8,483.7 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.

#### NOTE 4 - LONG-TERM DEBT AND FINANCE LEASE OBLIGATIONS

The Company's long-term debt and finance lease obligations as of September 9, 2023 and February 25, 2023, net of unamortized debt discounts of \$35.3 million and \$37.5 million, respectively, and deferred financing costs of \$47.6 million and \$53.2 million, respectively, consisted of the following (in millions):

	September 9, 2023	February 25, 2023
Senior Unsecured Notes due 2026 to 2030, interest rate range of 3.25% to 7.50%	\$ 6,501.7	\$ 6,496.4
Safeway Inc. Notes due 2027 to 2031, interest rate range of 7.25% to 7.45%	375.2	374.9
New Albertsons L.P. Notes due 2026 to 2031, interest rate range of 6.52% to 8.70%	478.3	476.2
ABL Facility	550.0	1,000.0
Other financing obligations	29.9	28.8
Mortgage notes payable, secured	16.5	16.7
Finance lease obligations	498.0	517.1
Total debt	<u>8,449.6</u>	<u>8,910.1</u>
Less current maturities	<u>(638.8)</u>	<u>(1,075.7)</u>
Long-term portion	<u>\$ 7,810.8</u>	<u>\$ 7,834.4</u>

#### *ABL Facility*

As of September 9, 2023, \$550.0 million remained outstanding under the ABL Facility as the Company repaid \$500.0 million and borrowed \$50.0 million during the 28 weeks ended September 9, 2023, and letters of credit ("LOC") issued under the LOC sub-facility was \$47.9 million. As of February 25, 2023, there was \$1,000.0 million outstanding under the ABL Facility and LOC issued under the LOC sub-facility was \$53.3 million. During the 12 and 28 weeks ended September 9, 2023, the average interest rate on the ABL Facility was approximately 6.7% and 6.4%, respectively.

## NOTE 5 - EMPLOYEE BENEFIT PLANS

### *Pension and Other Post-Retirement Benefits*

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

	12 weeks ended			
	Pension		Other post-retirement benefits	
	September 9, 2023	September 10, 2022	September 9, 2023	September 10, 2022
Estimated return on plan assets	\$ (22.7)	\$ (21.4)	\$ —	\$ —
Service cost	4.0	4.5	—	—
Interest cost	19.3	11.9	0.1	0.1
Amortization of prior service cost	0.1	0.1	—	—
Amortization of net actuarial (gain) loss	(2.4)	0.1	(0.2)	(0.1)
(Income) expense, net	\$ (1.7)	\$ (4.8)	\$ (0.1)	\$ —

  

	28 weeks ended			
	Pension		Other post-retirement benefits	
	September 9, 2023	September 10, 2022	September 9, 2023	September 10, 2022
Estimated return on plan assets	\$ (53.0)	\$ (50.0)	\$ —	\$ —
Service cost	9.3	10.7	—	—
Interest cost	45.0	27.7	0.3	0.2
Amortization of prior service cost	0.2	0.2	—	—
Amortization of net actuarial (gain) loss	(3.0)	0.3	(0.5)	(0.2)
(Income) expense, net	\$ (1.5)	\$ (11.1)	\$ (0.2)	\$ —

The Company contributed \$3.9 million and \$10.4 million to its defined pension plans and post-retirement benefit plans during the 12 and 28 weeks ended September 9, 2023, respectively. For the 12 and 28 weeks ended September 10, 2022, the company contributed \$1.8 million and \$5.0 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 \$7.5 million to these plans for the remainder of fiscal 2023.

### *Multiemployer Pension Plans*

**ARP Act:** The American Rescue Plan Act ("ARP Act"), which was signed into law on March 11, 2021, established a special financial assistance ("SFA") program for financially troubled multiemployer pension plans. During the 12 weeks ended September 10, 2022, the Pension Benefit Guaranty Corporation issued the final rule with respect to the SFA program which allowed for both additional funding and the investment of one third of the SFA funds into return-seeking investments. Based on the final rule, on August 8, 2022, the Combined Plan submitted a supplemented application for additional funding of approximately \$120 million. The Combined Plan is expected to remain solvent and therefore the Company currently does not expect to have any funding requirements for the Excess Plan. As a result, during the 12 weeks ended September 10, 2022, the Company recorded a non-cash pre-tax gain of \$19.0 million to remove the pension liability for the Excess Plan. For additional information, including a description and definition of the Combined Plan, as well as the impact on the Excess Plan, as defined therein, see "Part II—Item 8. Financial Statements and Supplementary Data—Note 12" of the Company's Annual Report on Form 10-K for the fiscal year ended February 25, 2023.

## 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 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. The District Court has not set any trial date for *Proctor* as of yet.

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. On September 18, 2023, Prime filed an answer to the third-party complaint; on the same day, the Company and SUPERVALU filed an amended third-party complaint.

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 counties, cities, Native American tribes, and hospitals, alleging that defendants contributed to the national opioid epidemic. At present, the Company is named in approximately 90 suits pending in various state courts as well as in 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 pursuant to 28 U.S.C. §1407. Most of the cases naming the Company have been stayed pending multiple bellwether trials, including one involving the Company: Tarrant County (Texas). The Tarrant County matter is currently in early stages of discovery. The relief sought by the various plaintiffs in these matters includes compensatory damages, abatement and punitive damages as well as injunctive relief.

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 filed 14 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 has also 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, which may not be covered by insurance, several are proceeding through discovery with none scheduled for trial in 2023. 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, if any.

The Company has also received, subpoenas, Civil Investigative Demands ("CIDs") and other requests for documents and information from the U.S. Department of Justice and certain state Attorneys General, and has had preliminary discussions with the Department of Justice 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.

**Oregon Class Action:** A class action lawsuit entitled *Schearon Stewart and Jason Stewart v. Safeway Inc.* was filed in Circuit Court, County of Multnomah, State of Oregon. Plaintiffs have alleged that Safeway engaged in unfair trade practices, in violation of Oregon's Unlawful Trade Practices Act (ORS 646.608), regarding the sale of certain meat products in 2015 and 2016 in the state of Oregon with its "Buy One, Get One Free" and similar promotions.

On February 17, 2023, plaintiffs and Safeway executed an agreement which settled all claims in the lawsuit for \$107.0 million. The settlement included a claim administration process whereby affected customers, who do not elect to opt-out of the settlement, filed a claim to participate in the settlement. The court granted final approval of the class settlement by way of an order dated July 20, 2023. The Company had a liability recorded equal to the amount of the settlement, and the Company paid the settlement on September 11, 2023.

**Plated Litigation:** On September 1, 2020, a complaint was filed in Delaware Court of Chancery, by which complaint Shareholder Representative Services LLC, solely in its capacity as agent for the former shareholders and rightsholders of DineInFresh, Inc. d/b/a Plated ("Plated"), sued the Company. Plaintiff alleged that, following the Company's acquisition of Plated, pursuant to a September 19, 2017 Agreement and Plan of Merger, the Company intentionally engaged in conduct to prevent Plated from reaching certain milestones that would have resulted in post-acquisition consideration paid to Plated's former shareholders and rightsholders. Plaintiff alleged breach of contract, breach of the implied covenant of good faith and fair dealing, and fraudulent inducement. On October 21, 2020, the Company filed a motion to dismiss the complaint. On June 7, 2021, the Court granted the motion in part, dismissing all claims except for the breach-of-contract claim. The Company has reached an agreement in principle

to settle the case. The parties are jointly working on finalizing a settlement agreement. The Company recorded a liability equal to the amount of the settlement.

**Other Commitments**

In the ordinary course of business, the Company enters into various supply contracts to purchase products for resale and purchase and service contracts for fixed asset and information technology commitments. 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):

	<b>28 weeks ended September 9, 2023</b>		
	<b>Total</b>	<b>Pension and Post-retirement benefit plans</b>	<b>Other</b>
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	<u>\$ 68.9</u>	<u>\$ 69.2</u>	<u>\$ (0.3)</u>

	<b>28 weeks ended September 10, 2022</b>		
	<b>Total</b>	<b>Pension and Post-retirement benefit plans</b>	<b>Other</b>
Beginning AOCI balance	\$ 69.0	\$ 67.1	\$ 1.9
Other comprehensive loss before reclassifications	(4.3)	—	(4.3)
Amounts reclassified from accumulated other comprehensive income (1)	0.3	0.3	—
Tax benefit	1.1	—	1.1
Current-period other comprehensive (loss) income, net of tax	(2.9)	0.3	(3.2)
Ending AOCI balance	<u>\$ 66.1</u>	<u>\$ 67.4</u>	<u>\$ (1.3)</u>

(1) These amounts are included in the computation of net pension and post-retirement (income) expense. 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. 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 9, 2023	September 10, 2022	September 9, 2023	September 10, 2022
<b>Basic net income per Class A common share</b>				
Net income	\$ 266.9	\$ 342.7	\$ 684.1	\$ 826.9
Accrued dividends on Convertible Preferred Stock	—	(10.4)	(0.3)	(24.1)
Earnings allocated to Convertible Preferred Stock	—	(8.8)	(0.6)	(52.6)
Net income allocated to Class A common stockholders - Basic	<u>\$ 266.9</u>	<u>\$ 323.5</u>	<u>\$ 683.2</u>	<u>\$ 750.2</u>
Weighted average Class A common shares outstanding - Basic (1)	576.0	531.9	574.7	521.3
Basic net income per Class A common share	<u>\$ 0.46</u>	<u>\$ 0.61</u>	<u>\$ 1.19</u>	<u>\$ 1.44</u>
<b>Diluted net income per Class A common share</b>				
Net income allocated to Class A common stockholders - Basic	\$ 266.9	\$ 323.5	\$ 683.2	\$ 750.2
Accrued dividends on Convertible Preferred Stock	—	10.4	—	—
Earnings allocated to Convertible Preferred Stock	—	8.8	—	—
Net income allocated to Class A common stockholders - Diluted	<u>\$ 266.9</u>	<u>\$ 342.7</u>	<u>\$ 683.2</u>	<u>\$ 750.2</u>
Weighted average Class A common shares outstanding - Basic (1)	576.0	531.9	574.7	521.3
Dilutive effect of:				
Restricted stock units and awards	5.9	4.5	5.6	4.6
Convertible Preferred Stock (2)	—	39.9	—	—
Weighted average Class A common shares outstanding - Diluted (3)	<u>581.9</u>	<u>576.3</u>	<u>580.3</u>	<u>525.9</u>
Diluted net income per Class A common share	<u>\$ 0.46</u>	<u>\$ 0.59</u>	<u>\$ 1.18</u>	<u>\$ 1.43</u>

(1) The number of Class A common shares remaining to be issued for the 12 and 28 weeks ended September 9, 2023 and September 10, 2022 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 and September 10, 2022, 0.6 million and 49.1 million potential common shares outstanding related to Convertible Preferred Stock were antidilutive, respectively.

(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 9, 2023 and September 10, 2022 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:

- changes in macroeconomic conditions and uncertainty regarding the geopolitical environment;
- rates of food price inflation or deflation, as well as fuel and commodity prices;
- changes in market interest rates and wage rates;
- changes in consumer behavior and spending due to the impact of macroeconomic factors and discontinuation of government relief related to COVID-19, including the expiration of student loan payment deferments;
- ability to attract and retain qualified associates and negotiate acceptable contracts with labor unions;
- 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;
- uncertainties related to the Merger, including our ability to close the transactions contemplated by the Merger Agreement, and the impact of the costs related to the Merger;
- erosion of consumer confidence as a result of the Merger Agreement and the transactions contemplated by the Merger Agreement;
- litigation related to the transactions contemplated by the Merger Agreement;
- restrictions on our ability to operate as a result of the Merger Agreement;
- challenges in attracting, retaining and motivating our employees until the closing of the Merger;
- availability and cost of goods used in our food products;
- challenges with our supply chain;
- operational and financial effects resulting from cyber incidents, including outages in the cloud environment and the effectiveness of business continuity plans during a ransomware or other cyber incident; and
- continued reduction in revenue from administering vaccines and a reduction in current levels of revenue from providing test kits.

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 2023 OVERVIEW

We are one of the largest food retailers in the United States, with 2,272 stores across 34 states and the District of Columbia as of September 9, 2023. We operate 24 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 290,000 talented and dedicated employees, as of September 9, 2023, who serve on average 35.3 million customers each week. Additionally, as of September 9, 2023, we operated 1,726 pharmacies, 1,332 in-store branded coffee shops, 401 associated fuel centers, 22 dedicated distribution centers, 19 manufacturing facilities and various digital platforms.

### ***Merger Agreement***

On October 13, 2022 Albertsons Companies, Inc. (the "Company"), The Kroger Co. ("Kroger" or "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 of the Company 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 cash payment is subject to reduction as a result of the Special Dividend paid on January 20, 2023 as described in Note 2 - Merger Agreement in the unaudited interim Condensed Consolidated Financial Statements located elsewhere in this Form 10-Q.

In connection with the Merger, 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 Wholesale Grocers, LLC ("C&S") for the sale of select stores, banners, distribution centers, offices and private label brands to C&S. Also on September 8, 2023, Kroger notified the Company that, in accordance with the Merger Agreement, Kroger intends to sell the SpinCo Business (as defined in the Merger Agreement) to C&S. As a result, 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. Details regarding the definitive agreement with C&S can be found in the Form 8-K filed on September 8, 2023 and the joint press release issued by the Company and Kroger on September 8, 2023.

The Company has filed with the Securities and Exchange Commission ("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](http://www.sec.gov) or from the Company's website at <https://www.albertsonscompanies.com/investors/overview/>.

### Second quarter of fiscal 2023 highlights

In summary, our financial and operating highlights for the second quarter of fiscal 2023 include:

- Identical sales increased 2.9%
- Digital sales increased 19%
- Loyalty members increased 17% to 37.4 million
- Net income of \$267 million, or \$0.46 per Class A common share
- Adjusted net income of \$368 million, or \$0.63 per Class A common share
- Adjusted EBITDA of \$977 million

### Stores

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

	12 weeks ended		28 weeks ended	
	September 9, 2023	September 10, 2022	September 9, 2023	September 10, 2022
Stores, beginning of period	2,272	2,273	2,271	2,276
Opened	1	1	3	1
Closed	(1)	(2)	(2)	(5)
Stores, end of period	2,272	2,272	2,272	2,272

The following table summarizes our stores by size:

Square Footage	Number of stores		Percent of Total		Retail Square Feet (1)	
	September 9, 2023	September 10, 2022	September 9, 2023	September 10, 2022	September 9, 2023	September 10, 2022
Less than 30,000	218	218	9.6 %	9.6 %	4.9	4.9
30,000 to 50,000	779	780	34.3 %	34.3 %	32.7	32.7
More than 50,000	1,275	1,274	56.1 %	56.1 %	75.3	75.3
Total Stores	2,272	2,272	100.0 %	100.0 %	112.9	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 2023 and the First 28 weeks of Fiscal 2023 to the Second Quarter of Fiscal 2022 and the First 28 weeks of Fiscal 2022.*

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 9, 2023 ("second quarter of fiscal 2023" and "first 28 weeks of fiscal 2023") and 12 and 28 weeks ended September 10, 2022 ("second quarter of fiscal 2022" and "first 28 weeks of fiscal 2022") (dollars in millions, except per share data).

	12 weeks ended			
	September 9, 2023	% of Sales	September 10, 2022	% of Sales
Net sales and other revenue	\$ 18,290.7	100.0 %	\$ 17,919.4	100.0 %
Cost of sales	13,249.2	72.4	12,914.8	72.1
Gross margin	5,041.5	27.6	5,004.6	27.9
Selling and administrative expenses	4,595.5	25.1	4,487.6	25.0
Gain on property dispositions and impairment losses, net	(8.4)	—	(14.0)	(0.1)
Operating income	454.4	2.5	531.0	3.0
Interest expense, net	111.9	0.6	89.8	0.5
Other expense (income), net	8.1	—	(18.9)	(0.1)
Income before income taxes	334.4	1.9	460.1	2.6
Income tax expense	67.5	0.4	117.4	0.7
Net income	\$ 266.9	1.5 %	\$ 342.7	1.9 %
Basic net income per Class A common share	\$ 0.46		\$ 0.61	
Diluted net income per Class A common share	0.46		0.59	

	28 weeks ended			
	September 9, 2023	% of Sales	September 10, 2022	% of Sales
Net sales and other revenue	\$ 42,340.9	100.0 %	\$ 41,229.7	100.0 %
Cost of sales	30,636.7	72.4	29,680.1	72.0
Gross margin	11,704.2	27.6	11,549.6	28.0
Selling and administrative expenses	10,608.4	25.1	10,351.9	25.1
Loss (gain) on property dispositions and impairment losses, net	19.2	—	(93.4)	(0.2)
Operating income	1,076.6	2.5	1,291.1	3.1
Interest expense, net	266.8	0.6	228.7	0.6
Other income, net	(7.9)	—	(25.2)	(0.1)
Income before income taxes	817.7	1.9	1,087.6	2.6
Income tax expense	133.6	0.3	260.7	0.6
Net income	\$ 684.1	1.6 %	\$ 826.9	2.0 %
Basic net income per Class A common share	\$ 1.19		\$ 1.44	
Diluted net income per Class A common share	1.18		1.43	

### Net Sales and Other Revenue

Net sales and other revenue increased 2.1% to \$18,290.7 million for the second quarter of fiscal 2023 from \$17,919.4 million for the second quarter of fiscal 2022. The increase in Net sales and other revenue was driven by our 2.9% increase in identical sales, with growth in pharmacy sales, increasing digital sales and retail price inflation

across most categories being the primary contributors to the identical sales increase. The increase in Net sales and other revenue was partially offset by lower fuel sales.

Net sales and other revenue increased 2.7% to \$42,340.9 million for the first 28 weeks of fiscal 2023 from \$41,229.7 million for the first 28 weeks of fiscal 2022. The increase in Net sales and other revenue was primarily driven by our 4.0% increase in identical sales, with growth in pharmacy sales, retail price inflation across most categories and increasing digital sales being the primary contributors to the identical sales increase. 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 9, 2023 and the 12 and 28 weeks ended September 10, 2022, respectively, were:

	12 weeks ended		28 weeks ended	
	September 9, 2023	September 10, 2022	September 9, 2023	September 10, 2022
Identical sales, excluding fuel	2.9%	7.4%	4.0%	7.1%

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

	12 weeks ended				28 weeks ended			
	September 9, 2023		September 10, 2022		September 9, 2023		September 10, 2022	
	Amount (1)	% of Total	Amount (1)	% of Total	Amount (1)	% of Total	Amount (1)	% of Total
Non-perishables (2)	\$ 9,236.9	50.5 %	\$ 9,004.5	50.3 %	\$ 21,323.7	50.4 %	\$ 20,450.5	49.6 %
Fresh (3)	5,919.4	32.4	5,944.5	33.2	13,808.7	32.6	13,826.0	33.5
Pharmacy	1,741.0	9.5	1,476.3	8.2	4,041.1	9.5	3,399.8	8.3
Fuel	1,126.8	6.1	1,202.8	6.7	2,527.2	6.0	2,857.5	6.9
Other (4)	266.6	1.5	291.3	1.6	640.2	1.5	695.9	1.7
Net sales and other revenue	\$ 18,290.7	100.0 %	\$ 17,919.4	100.0 %	\$ 42,340.9	100.0 %	\$ 41,229.7	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 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 decreased to 27.6% during the second quarter of fiscal 2023 compared to 27.9% during the second quarter of fiscal 2022. Excluding the impact of fuel and LIFO expense, gross margin rate decreased 37 basis

points compared to the second quarter of fiscal 2022. Pharmacy operations and increases in shrink were the primary drivers of the decrease, partially offset by our procurement and sourcing productivity initiatives.

Gross margin rate decreased to 27.6% during the first 28 weeks of fiscal 2023 compared to 28.0% during the first 28 weeks of fiscal 2022. Excluding the impact of fuel, gross margin rate decreased 67 basis points compared to the first 28 weeks of fiscal 2022. The rate decrease was primarily driven by pharmacy operations, increases in shrink, and an increase in promotional activity in the first quarter of fiscal 2023 relative to the first quarter of fiscal 2022. Our procurement and sourcing productivity initiatives partially offset these decreases in our gross profit rate.

The gross margin rate decrease in the second quarter of fiscal 2023 and first 28 weeks of fiscal 2023 related to pharmacy operations was primarily due to growth in pharmacy sales and fewer COVID-19 vaccines. In addition, the benefits from our productivity initiatives allowed us to provide incremental price investments to our customers during the second quarter of fiscal 2023 and first 28 weeks of fiscal 2023.

### **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 25.1% of Net sales and other revenue during the second quarter of fiscal 2023 compared to 25.0% during the second quarter of fiscal 2022. Excluding the impact of fuel, Selling and administrative expenses as a percentage of Net sales and other revenue decreased eight basis points. The decrease in Selling and administrative expenses as a percentage of Net sales and other revenue was primarily attributable to lower employee costs, which includes the benefit of ongoing productivity initiatives, partially offset by Merger-related costs, an increase in operating expenses related to the expansion of our digital and omnichannel capabilities, increased store occupancy costs and additional third-party store security services.

Selling and administrative expenses was 25.1% of Net sales and other revenue during both the first 28 weeks of fiscal 2023 and the first 28 weeks of fiscal 2022. Excluding the impact of fuel, Selling and administrative expenses as a percentage of Net sales and other revenue decreased 34 basis points during the first 28 weeks of fiscal 2023 compared to the first 28 weeks of fiscal 2022. The decrease in Selling and administrative expenses as a percentage of Net sales and other revenue was primarily attributable to sales leverage of employee costs, which includes the benefit of ongoing productivity initiatives and lower legal and regulatory accruals and settlements, partially offset by Merger-related costs.

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

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 assets. For the second quarter of fiscal 2022, net gain on property dispositions and impairment losses was \$14.0 million, primarily driven by \$14.5 million of gains from the sale of real estate assets, partially offset by \$0.5 million of asset impairments.

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 assets. For the first 28 weeks of fiscal 2022, net gain on property dispositions and impairment losses was \$93.4 million, driven by \$94.6 million of gains primarily from the sale of real estate assets, partially offset by \$1.2 million of asset impairments.

### **Interest Expense, Net**

Interest expense, net was \$111.9 million during the second quarter of fiscal 2023 compared to \$89.8 million during the second quarter of fiscal 2022. The increase in interest expense, net was primarily attributable to higher average outstanding borrowings and higher average interest rates, as well as lower interest income. The weighted average interest rate during the second quarter of fiscal 2023 was 5.6%, excluding deferred financing costs and original issue discount, compared to 5.3% during the second quarter of fiscal 2022.

Interest expense, net was \$266.8 million during the first 28 weeks of fiscal 2023 compared to \$228.7 million during the first 28 weeks of fiscal 2022. The increase in interest expense, net was primarily attributable to higher average outstanding borrowings and higher average interest rates, as well as lower interest income. The weighted average interest rate during the first 28 weeks of fiscal 2023 was 5.6%, excluding amortization and write-off of deferred financing costs and original issue discount, compared to 5.3% during the first 28 weeks of fiscal 2022.

### **Other Expense (Income), Net**

For the second quarter of fiscal 2023, other expense, net was \$8.1 million compared to other income, net of \$18.9 million for the second quarter of fiscal 2022. 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. Other income, net during the second quarter of fiscal 2022 was primarily driven by non-service cost components of net pension and post-retirement expense, income related to our equity investment and unrealized gains from non-operating investments.

For the first 28 weeks of fiscal 2023, other income, net was \$7.9 million compared to \$25.2 million for the first 28 weeks of fiscal 2022. 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. Other income, net during the first 28 weeks of fiscal 2022 was primarily driven by non-service cost components of net pension and post-retirement expense and income related to our equity investment, partially offset by unrealized losses from non-operating investments.

### **Income Taxes**

Income tax expense was \$67.5 million, representing a 20.2% effective tax rate, for the second quarter of fiscal 2023. Income tax expense was \$117.4 million, representing a 25.5% effective tax rate, for the second quarter of fiscal 2022. The favorability in the effective income tax rate in the second quarter of fiscal 2023 was 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 \$133.6 million, representing a 16.3% effective tax rate, for the first 28 weeks of fiscal 2023. Income tax expense was \$260.7 million, representing a 24.0% effective tax rate, for the first 28 weeks of fiscal 2022. The favorability in the effective income tax rate for the first 28 weeks of fiscal 2023 was 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, as well as discrete benefits recognized for state income taxes.

### **Net Income and Adjusted Net Income**

Net income was \$266.9 million, or \$0.46 per Class A common share, during the second quarter of fiscal 2023 compared to \$342.7 million, or \$0.59 per Class A common share, during the second quarter of fiscal 2022. Adjusted

net income was \$367.7 million, or \$0.63 per Class A common share, during the second quarter of fiscal 2023 compared to \$418.3 million, or \$0.72 per Class A common share, during the second quarter of fiscal 2022.

Net income was \$684.1 million, or \$1.18 per Class A common share, during the first 28 weeks of fiscal 2023 compared to \$826.9 million, or \$1.43 per Class A common share, during the first 28 weeks of fiscal 2022. 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 \$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 compared to \$1,000.3 million, or \$1.72 per Class A common share, during the first 28 weeks of fiscal 2022.

### **Adjusted EBITDA**

For the second quarter of fiscal 2023, Adjusted EBITDA was \$976.9 million, or 5.3% of Net sales and other revenue, compared to \$1,048.5 million, or 5.9% of Net sales and other revenue, for the second quarter of fiscal 2022. For the first 28 weeks of fiscal 2023, Adjusted EBITDA was \$2,295.4 million, or 5.4% of Net sales and other revenue, compared to \$2,468.8 million, or 6.0% of Net sales and other revenue for the first 28 weeks of fiscal 2022.

### 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 9, 2023	September 10, 2022	September 9, 2023	September 10, 2022
Numerator:				
Net income	\$ 266.9	\$ 342.7	\$ 684.1	\$ 826.9
Adjustments:				
(Gain) loss on interest rate swaps and energy hedges, net (d)	(4.8)	3.6	(5.4)	(14.9)
Business transformation (1)(b)	13.5	13.5	25.6	47.3
Equity-based compensation expense (b)	25.3	27.9	57.2	63.2
(Gain) loss on property dispositions and impairment losses, net	(8.4)	(14.0)	19.2	(93.4)
LIFO expense (a)	26.2	54.8	60.2	116.9
Government-mandated incremental COVID-19 pandemic related pay (2)(b)	—	3.9	—	9.8
Merger-related costs (3)(b)	41.2	3.3	88.3	9.4
Certain legal and regulatory accruals and settlements, net (b)	—	10.9	—	43.7
Amortization of debt discount and deferred financing costs (c)	3.6	3.9	8.3	9.0
Amortization of intangible assets resulting from acquisitions (b)	11.1	12.0	26.5	27.4
Combined Plan (b)	—	(19.0)	—	(19.0)
Miscellaneous adjustments (4)(f)	23.0	1.6	20.6	29.7
Tax impact of adjustments to Adjusted net income	(29.9)	(26.8)	(71.2)	(55.7)
Adjusted net income	\$ 367.7	\$ 418.3	\$ 913.4	\$ 1,000.3
Denominator:				
Weighted average Class A common shares outstanding - diluted	581.9	576.3	580.3	525.9
Adjustments:				
Convertible Preferred Stock (5)	—	—	0.6	49.1
Restricted stock units and awards (6)	5.1	6.5	5.4	6.3
Adjusted weighted average Class A common shares outstanding - diluted	587.0	582.8	586.3	581.3
Adjusted net income per Class A common share - diluted	\$ 0.63	\$ 0.72	\$ 1.56	\$ 1.72

	12 weeks ended		28 weeks ended	
	September 9, 2023	September 10, 2022	September 9, 2023	September 10, 2022
Net income per Class A common share - diluted	\$ 0.46	\$ 0.59	\$ 1.18	\$ 1.43
Convertible Preferred Stock (5)	—	—	—	0.01
Non-GAAP adjustments (7)	0.17	0.14	0.39	0.30
Restricted stock units and awards (6)	—	(0.01)	(0.01)	(0.02)
Adjusted net income per Class A common share - diluted	\$ 0.63	\$ 0.72	\$ 1.56	\$ 1.72

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

	12 weeks ended		28 weeks ended	
	September 9, 2023	September 10, 2022	September 9, 2023	September 10, 2022
Adjusted net income (8)	\$ 367.7	\$ 418.3	\$ 913.4	\$ 1,000.3
Tax impact of adjustments to Adjusted net income	29.9	26.8	71.2	55.7
Income tax expense	67.5	117.4	133.6	260.7
Amortization of debt discount and deferred financing costs (c)	(3.6)	(3.9)	(8.3)	(9.0)
Interest expense, net	111.9	89.8	266.8	228.7
Amortization of intangible assets resulting from acquisitions (b)	(11.1)	(12.0)	(26.5)	(27.4)
Depreciation and amortization (e)	414.6	412.1	945.2	959.8
Adjusted EBITDA	\$ 976.9	\$ 1,048.5	\$ 2,295.4	\$ 2,468.8

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

(2) Represents incremental COVID-19 related pay legislatively required in certain municipalities in which we operate.

(3) Primarily relates to third-party legal and advisor fees and retention program expense related to the proposed Merger with Kroger and costs in connection with our previously-announced Board-led review of potential strategic alternatives.

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

	12 weeks ended		28 weeks ended	
	September 9, 2023	September 10, 2022	September 9, 2023	September 10, 2022
Non-cash lease-related adjustments	\$ 0.3	\$ 0.8	\$ 0.3	\$ 2.0
Lease and lease-related costs for surplus and closed stores	4.2	5.4	10.8	12.7
Net realized and unrealized loss (gain) on non-operating investments	8.9	(8.3)	4.3	5.7
Other (i)	9.6	3.7	5.2	9.3
Total miscellaneous adjustments	\$ 23.0	\$ 1.6	\$ 20.6	\$ 29.7

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

(5) 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.

(6) 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.

(7) 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.

(8) 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) (Gain) loss on interest rate swaps and energy hedges, net:

	12 weeks ended		28 weeks ended	
	September 9, 2023	September 10, 2022	September 9, 2023	September 10, 2022
Cost of sales	\$ (5.1)	\$ 3.4	\$ (3.8)	\$ (5.5)
Selling and administrative expenses	0.3	0.8	(1.6)	(2.1)
Other expense (income), net	—	(0.6)	—	(7.3)
Total (Gain) loss on interest rate swaps and energy hedges, net	\$ (4.8)	\$ 3.6	\$ (5.4)	\$ (14.9)

- (e) Depreciation and amortization:

	12 weeks ended		28 weeks ended	
	September 9, 2023	September 10, 2022	September 9, 2023	September 10, 2022
Cost of sales	\$ 38.3	\$ 38.2	\$ 85.0	\$ 89.7
Selling and administrative expenses	376.3	373.9	860.2	870.1
Total Depreciation and amortization	\$ 414.6	\$ 412.1	\$ 945.2	\$ 959.8

- (f) Miscellaneous adjustments:

	12 weeks ended		28 weeks ended	
	September 9, 2023	September 10, 2022	September 9, 2023	September 10, 2022
Selling and administrative expenses	\$ 11.9	\$ 5.5	\$ 21.9	\$ 14.4
Other expense (income), net	11.1	(3.9)	(1.3)	15.3
Total Miscellaneous adjustments	\$ 23.0	\$ 1.6	\$ 20.6	\$ 29.7

## 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 9, 2023	September 10, 2022
Cash and cash equivalents and restricted cash at end of period	\$ 270.5	\$ 3,400.4
Cash flows provided by operating activities	1,347.9	1,652.1
Cash flows used in investing activities	(890.1)	(977.7)
Cash flows used in financing activities	(651.1)	(226.6)

### *Net Cash Provided by Operating Activities*

Net cash provided by operating activities was \$1,347.9 million for the first 28 weeks of fiscal 2023 compared to \$1,652.1 million for the first 28 weeks of fiscal 2022. The decrease in cash flow from operations compared to the first 28 weeks of fiscal 2022 was due to a decrease in Adjusted EBITDA and more cash paid for income taxes, interest and Merger-related costs during the first 28 weeks of fiscal 2023, partially offset by changes in working capital.

### ***Net Cash Used in Investing Activities***

Net cash used in investing activities was \$890.1 million for the first 28 weeks of fiscal 2023 compared to \$977.7 million for the first 28 weeks of fiscal 2022.

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. For the first 28 weeks of fiscal 2022, cash used in investing activities consisted primarily of payments for property, equipment and intangibles of \$1,060.7 million, partially offset by proceeds from the sale of assets of \$94.2 million, primarily related to real estate. Payments for property, equipment and intangibles in the first 28 weeks of fiscal 2022 included continued investment in our digital and technology platforms, the completion of 81 remodels and the opening of one new store.

### ***Net Cash Used in Financing Activities***

Net cash used in financing activities was \$651.1 million during the first 28 weeks of fiscal 2023 compared to \$226.6 million during the first 28 weeks of fiscal 2022.

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 restricted stock units, 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 2022 consisted primarily of dividends paid on our Class A common stock and Convertible Preferred Stock, as well as tax withholding payments on vesting of restricted stock units.

### ***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 \$138.0 million (\$0.12 per common share) and \$126.7 million (\$0.12 per common share) during the first 28 weeks of fiscal 2023 and first 28 weeks of fiscal 2022, respectively. On October 17, 2023, we announced the next quarterly dividend payment of \$0.12 per share of Class A common stock to be paid on November 14, 2023 to stockholders of record as of the close of business on October 31, 2023.

During the first quarter of fiscal 2023, the conversion of the remaining Convertible Preferred Stock was completed. The holders of Convertible Preferred Stock were entitled to a quarterly dividend at a rate per annum of 6.75% of the liquidation preference per share of the Convertible Preferred Stock. In addition, the holders of Convertible Preferred Stock participate in cash dividends that we pay on our 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. Cash dividends paid to holders of the Convertible Preferred Stock were \$0.8 million and \$34.5 million during the first 28 weeks of fiscal 2023 and first 28 weeks of fiscal 2022, respectively.

### ***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 borrowings under our ABL Facility. We estimate our liquidity needs over

the next 12 months to be in the range of \$5.0 billion to \$5.6 billion. This includes \$550.0 million related to outstanding borrowings under our ABL Facility for which we may, at our discretion, elect to pay all or a portion of the outstanding balance within the next 12 months; and anticipated requirements for incremental working capital, incremental 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 9, 2023, we had \$550.0 million borrowings outstanding under our ABL Facility and total availability of \$3,402.1 million (net of letter of credit usage). See Note 4 – Long-Term Debt and Finance Lease Obligations located elsewhere in this Form 10-Q for further discussion.

## **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 25, 2023, filed with the SEC on April 25, 2023, 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 25, 2023, filed with the SEC on April 25, 2023.

## **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 2023 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 25, 2023, filed with the SEC on April 25, 2023, 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 2023, 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 17, 2023

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

Date: October 17, 2023

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

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

I, Vivek Sankaran, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Albertsons Companies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 17, 2023

/s/ Vivek Sankaran

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Vivek Sankaran

*Chief Executive Officer and Director (Principal Executive Officer)*

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

I, Sharon McCollam, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Albertsons Companies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 17, 2023

/s/ Sharon McCollam

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Sharon McCollam

*President and Chief Financial Officer (Principal Financial Officer)*

**Certification Pursuant to 18 U.S.C. Section 1350,  
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Albertsons Companies, Inc. (the "Company") on Form 10-Q for the period ended September 9, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 17, 2023

/s/ Vivek Sankaran

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Vivek Sankaran

*Chief Executive Officer and Director (Principal Executive Officer)*

/s/ Sharon McCollam

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Sharon McCollam

*President and Chief Financial Officer (Principal Financial Officer)*