Kroger

Q1 2026 Earnings Report

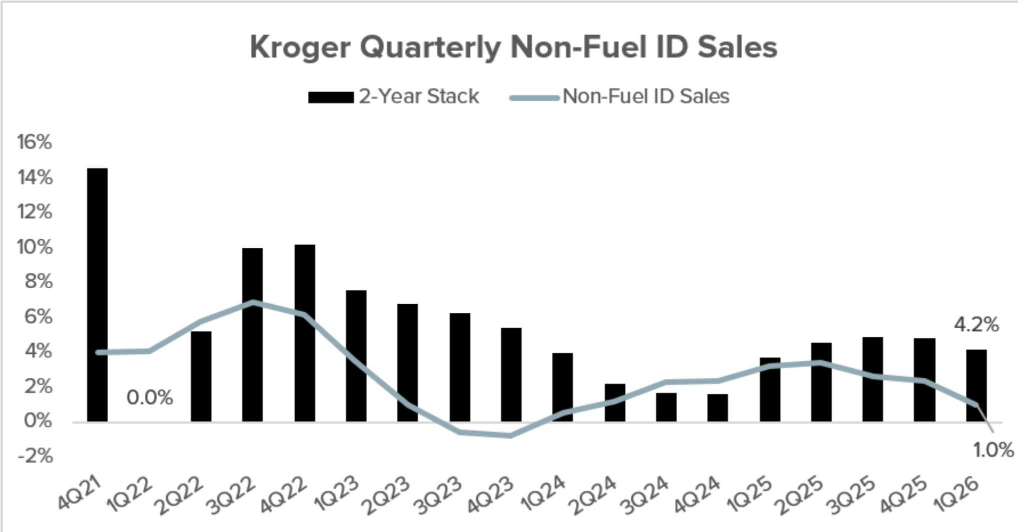
Q1 EARNINGS SUMMARY

Kroger reported earnings on June 18th with Q1 total sales +0.5% to $45.1B and identical sales (excluding fuel) growth of 1.0%, at the low end of expectations and continuing to decelerate for now the 3rd straight quarter. Profitability also faced several headwinds in Q1, including higher transportation costs, egg deflation, pharmacy mix, and planned investments in price and labor.

While management was pleased with Q1 performance and expressed confidence in its ability to offset these pressures through productivity initiatives and cost savings, investors were left waiting for more specifics on Kroger's pricing strategy and path to accelerating growth. Shares fell approximately 8% following the release, as Kroger also struck a cautious tone on the consumer environment, consistent with commentary from other retailers this earnings season.

SUPPLIER TAKEAWAYS

1. **ID sales growth remains barely positive; volume and competitive positioning key watch areas.** Identical sales without fuel increased 1.0%, landing at the low end of Kroger's full-year guidance range, and continues to decelerate for now the 3rd straight quarter. Customers remain under pressure from higher fuel costs and reduced SNAP benefits, resulting in careful spending behavior and continued trade-down activity. Management spent significant time discussing performance relative to competitors, particularly traditional grocers. Leadership emphasized that while Kroger is outperforming many grocery peers, "beating other grocers is not the same as leading the industry," signaling continued focus on closing share gaps against broader retail competitors like discounters (Aldi) and supercenters (Walmart). Kroger's growth continues to come from strategic traffic-driving categories (Fresh, Our Brands) and eCommerce rather than broad-based volume acceleration.
2. **Price investments continue, with additional details expected in October.** Pricing was one of the most heavily discussed topics on the call, and Greg Foran emphasized that Kroger does not need to be the lowest-priced (ie. beat Walmart), but rather more competitive and consistent where it matters most to customers. Outside of acknowledging ongoing price tests, management largely deferred questions on pricing strategy, competitive gaps, and investment levels until its October investor event. Management noted that supplier negotiations will be one of several levers used to fund future investments while maintaining profitability.
3. **eCommerce profitability achieved ahead of schedule, aided by retail media.** Kroger reached a key milestone this quarter, achieving eCommerce profitability earlier than expected with support from its growing retail media business. While some retail peers have already achieved digital profitability without media contributions, management highlighted the result as an important proof point for Kroger's omnichannel model. Digital sales grew 19% (the fourth consecutive quarter above 15%), with orders delivered in under one hour driving approximately 50% of digital growth. Management also highlighted expanding media capabilities and partnerships with Google (YouTube TV) and TikTok, reinforcing retail media as an increasingly important growth and profit driver for the company.
4. **The "Foran Effect" is beginning to take shape.** Throughout the call, CEO Greg Foran reinforced a culture of continuous improvement, emphasizing that Kroger must balance delivering short-term results while strengthening the business for the long term. Drawing on visits to more than 100 stores in his first few months, Foran acknowledged meaningful opportunities to improve execution across the fleet and highlighted store standards as a key area of focus. He also noted that Kroger has not opened enough stores in recent years, warning that "standing still in store growth means standing still in market share." His comments come as Kroger works through a significant period of change, including plans to close approximately 60 stores and recent turnover among several senior leaders, with potentially more to come as Foran's first year as CEO progresses.



INVESTOR CALL HIGHLIGHTS

- **Q1 ID sales** (excluding fuel) increased 1.0% led by eCommerce, Fresh and Our Brands.
  - Market share improved sequentially again, unit performance still not positive.
  - Our Brands again outpaced national brands sales growth by 175 bps.
- Expecting inflation to increase as the year progresses reflecting the broader macroecnomic environment.
- **Q1 eCommerce sales** grew 19% led by delivery, continuing to accelerate from 10% in 2024.
  - Already reached profitability ahead of schedule.
  - Gained share across every 3rd party platform Kroger operates.
  - Improved perfect order rates by 8%.
  - Omni customers spend 2.5x more than in store customers.
  - Media growth over 20% in Q1.
  - Fuel reward redemptions were up 10% compared to last year.
- **Q1 total sales** came in at $46.1B, compared to $45.1B for the same period last year. Excluding fuel and Vitacost, sales increased 0.5% compared to the same period last year.
- **Q1 adjusted EPS** of $1.58 vs. $1.49 Q1 last year.
- **Gross Margin 22.7%,** compared to 23.0% last year.
  - decrease in rate was primarily driven by the mix impact of higher fuel sales, higher transportation costs, egg deflation, and planned price investments. These pressures were partially offset by favorable pharmacy mix, improved eCommerce profitability, sourcing benefits, and lower depreciation.
- Annouced Google Display Video 360 program, will allow for YouTube TV sku level reporting.
- KPM wll be the first RMN set to launch collaberation with TikTok.
- Accelerating new store investments (29 major projects In 2025) to increase by 30% in 2026 including entering 2 new regions: Jacksonville and Kansas City.

FORWARD GUIDANCE

Kroger reaffirmed non-fuel ID sales in the range of 1.0%-2.0% for the full year 2026 (2.3-3.3% excluding impact of Inflation Reduction Act).

Adjusted net earnings per diluted share are expected to be $5.10 - $5.30.

Capital expenditures are guided at $3.8 – $4 billion (slightly higher vs. last year).

Click here to see Kroger's press release: The Kroger Co. - Kroger Reports First Quarter 2026 Results