

Kroger Q2 2023 Earnings Release

September 8, 2023



Safe Harbor

This presentation includes certain statements that constitute “forward-looking statements” about Kroger’s financial position and expected performance. These statements are based on management’s assumptions and beliefs in light of currently available information. Such statements are indicated by words or phrases such as “commitment,” “delivering,” “future,” “guidance,” “model,” “strategy,” “synergy,” “target,” “thesis,” “will,” and other similar statements. Various uncertainties and other factors could cause actual results to differ materially from those contained in the forward-looking statements. These include the specific risk factors identified in “Risk Factors” in our annual report on Form 10-K for our last fiscal year and any subsequent filings. Kroger assumes no obligation to update the information contained herein unless required by applicable law. Please refer to Kroger’s reports and filings with the Securities and Exchange Commission for a further discussion of these risks and uncertainties. This presentation also includes certain forward-looking non-GAAP financial measures, which management believes to be useful to investors and analysts. Kroger is unable to provide a full reconciliation of the non-GAAP measures used in our guidance, including, but not limited to, adjusted FIFO operating profit to operating profit and adjusted free cash flow, without unreasonable effort because it is not possible to predict with a reasonable degree of certainty the information necessary to calculate such measures on a GAAP basis. It is not possible to estimate with a reasonable degree of certainty certain of our adjustment items because such information is dependent on future events that may be outside of our control. The unavailable information could have a significant impact on our GAAP financial results.



Q2 2023 Results

+1.0%

ID Sales⁽¹⁾

(\$479M)

GAAP Operating Profit⁽²⁾

(\$0.25)

GAAP EPS⁽²⁾

+12%

Digital Sales

\$989M

Adj. FIFO Operating Profit

\$0.96

Adj. EPS
+7% Growth

(1) Identical sales without fuel would have grown 2.6% in the 2nd quarter of 2023 if not for the reduction in pharmacy sales from the previously communicated termination of our agreement with Express Scripts effective December 31, 2022. In the 2nd quarter of 2023, the terminated agreement had a positive effect on the FIFO Gross Margin Rate, excluding fuel, and a negative effect on the OG&A Rate, excluding fuel and adjustment items. The overall net effect on operating profit was slightly positive.

(2) Includes a \$1.4 billion (\$1.54 loss per share) charge related to nationwide opioid settlement framework.



Full-Year 2023 Guidance*

Reaffirmed

- Identical sales without fuel of 1.0% – 2.0%, with underlying growth of 2.5% – 3.5% after adjusting for the effect of Express Scripts
- Adjusted net earnings per diluted share of \$4.45 - \$4.60, including an estimated benefit from the 53rd week of approximately \$0.15
- Adjusted FIFO Operating Profit of \$5.0 – \$5.2 billion
- Adjusted effective tax rate of 23%**
- Capital expenditures of \$3.4 – \$3.6 billion
- Adjusted Free Cash Flow of \$2.5 - \$2.7 billion***



* Without adjusted items, if applicable; Identical sales is without fuel; Kroger is unable to provide a full reconciliation of the GAAP and non-GAAP measures used in 2023 guidance without unreasonable effort because it is not possible to predict certain of our adjustment items with a reasonable degree of certainty. This information is dependent upon future events and may be outside of our control and its unavailability could have a significant impact on 2023 GAAP financial results.

** The adjusted tax rate reflects typical tax adjustments and does not reflect changes to the rate from the completion of income tax audit examinations, changes in tax laws, which cannot be predicted, or the effect of certain non-deductible charges related to opioid settlements.

*** Adjusted free cash flow excludes planned payments related to the restructuring of multi-employer pension plans or payments related to opioid settlements.

Q2 2023 Highlights

Leading with Fresh,
Accelerating with Digital



Progress on our go-to-market strategy

Fresh

Celebrated the 10th anniversary of our \$1B Home Chef brand

Accelerated Fresh Produce Initiative with 1,940 stores now certified

Celebrated five awards earned by Murray's Cheese varieties at the American Cheese Society Competition



Personalization

Grew digitally engaged households by approximately 1.2M, increasing customer loyalty and promoting growth in alternative profit businesses like retail media

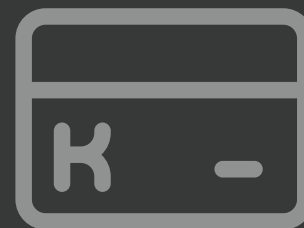
Delivered more personalized value to customers with a 29% increase in digital coupon downloads



Our Brands

Awarded six Editor's Picks by Store Brands for the innovation and quality of *Our Brands* products

Introduced 233 new *Our Brands* products including expansion of the Smart Way product line to help customers manage their budgets



Seamless

Increased digital sales by 12%, driven by growth in both Pickup and Delivery

Strong execution in Pickup led by improvement in cost to serve and a nearly 500 bps improvement in fill rates



Strengthening our Value Creation Model

*Delivering Sustainable Total Shareholder Return of 8 – 11%**



Supermarket

Expanded FIFO gross margin ex-fuel through strong *Our Brands* performance, lower supply chain costs and sourcing benefits

Improved productivity through technology and machine learning allowing associates to prioritize tasks like re-stocking



Fuel

Average retail price of \$3.65 this quarter vs. \$4.62 the same quarter last year

Cents per gallon fuel margin \$0.45 compared to \$0.62 the same quarter last year which was well above historical CPG average



Health & Wellness

Strong underlying pharmacy results, excluding the impact from ESI, driven by growth in auto-refill program

+ Alternative Profits

Strong operating profit performance led by growth from Kroger Precision Marketing

Announced a new in-house advertising platform for KPM allowing for greater flexibility to serve clients and improve outcomes for brands



*Total shareholder return assumes no change in Kroger's PE Ratio.



Associate Experience

- **Diverse Leadership:** Celebrated 64 female leaders named as Top Women in Grocery Honorees by Progressive Grocer
- **Inclusive Workplace:** Named as one of the Best Places to Work for Disability Inclusion by Disability:IN for the fourth consecutive year
- **Associate Focused:** Received eight Brandon Hall Group – Excellence in Human Capital Management Awards®



Live our Purpose



Announced commitment to donate 10 billion meals as a combined company by 2030, upon completion of its proposed merger with Albertsons Companies



Supported disaster response efforts for those impacted by the Maui wildfires



Launched revamped Kroger Health Savings Club to make medications more affordable and accessible



Named over 10,000 Zero Hero student award winners through the Zero Hunger | Zero Waste youth engagement program



Announced commitment to offering more resources to more associates, including continuing education and financial coaching benefits, upon completion of its proposed merger with Albertsons Companies



Awarded \$300,000 to 120 children of Kroger associates through the Kroger Scholars program for the 2023-2024 academic year

Investment Thesis

	Strong Business with Exciting Growth Opportunities ⁽¹⁾	Proven Value Creation Model	Strong Balance Sheet & Resilient Free Cash Flow
	<ul style="list-style-type: none"> Conveniently located +2,700 stores First Party Data on 60M Households ~\$30B <i>Our Brands</i> Business Significant Digital Business, >\$10B 	<ul style="list-style-type: none"> Net Earnings Growth, 3-5% <ul style="list-style-type: none"> ID Sales Growth (ex. Fuel), 2-4% Margin Improvements (net of investments), 1-2% Cost Savings, \$1B Annually High Growth, Margin Accretive Alternative Profits Disciplined Capital Investments Cash Payout 5-6% (Dividends & Share Repurchases⁽²⁾) 	<ul style="list-style-type: none"> Strong Free Cash Flow Yield Investment Grade Debt Rating Current Net Debt to Adjusted EBITDA 1.31x
	Accelerated Go-To-Market Strategy <ul style="list-style-type: none"> National footprint of 4,996 stores⁽³⁾ ~\$59B Fresh Sales First Party Data on ~85M Households ~\$45B <i>Our Brands</i> Business Significant Digital Business, >\$12B 	<ul style="list-style-type: none"> Combined TSR well above Kroger's standalone TSR Model of 8 – 11% in first four years post-close <ul style="list-style-type: none"> Annual run-rate synergy savings of \$1B within first four years of combined operations High Growth, Margin Accretive Alternative Profits 	<ul style="list-style-type: none"> Strong Free Cash Flow; 30% accretive to total annual Adjusted Free Cash Flow by year four⁽⁴⁾ Investment Grade Debt Rating Target Net Debt to Adjusted EBITDA ratio of 2.3x to 2.5x within 18 to 24 months post-close⁽⁴⁾



1. As of January 29, 2022.

2. Kroger has paused its share repurchase program to prioritize de-leveraging following the proposed merger with Albertsons. During this period, value will be created for shareholders through dividends and the effect of reduced net debt.

3. Combined store, pharmacy, and fuel center count as of October 14, 2022.

4. Kroger is unable to provide a full reconciliation of forward-looking non-GAAP measures without unreasonable effort because it is not possible to predict with a reasonable degree of certainty the information necessary to calculate such measures on a GAAP basis because such information is dependent on future events that may be outside of Kroger's control. The unavailable information could have a significant impact on Kroger's GAAP financial results.

Appendix



Table 1.
THE KROGER CO.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)
(unaudited)

	SECOND QUARTER				YEAR-TO-DATE			
	2023		2022		2023		2022	
SALES	\$ 33,853	100.0%	\$ 34,638	100.0%	\$ 79,018	100.0%	\$ 79,238	100.0%
OPERATING EXPENSES								
MERCHANDISE COSTS, INCLUDING ADVERTISING, WAREHOUSING AND TRANSPORTATION (a), AND LIFO CHARGE (b)	26,475	78.2	27,392	79.1	61,555	77.9	62,343	78.7
OPERATING, GENERAL AND ADMINISTRATIVE (a)	6,935	20.5	5,417	15.6	14,328	18.1	12,414	15.7
RENT	206	0.6	191	0.6	470	0.6	448	0.6
DEPRECIATION AND AMORTIZATION	716	2.1	684	2.0	1,674	2.1	1,574	2.0
OPERATING PROFIT (LOSS)	(479)	(1.4)	954	2.8	991	1.3	2,459	3.1
OTHER INCOME (EXPENSE)								
INTEREST EXPENSE	(93)	(0.3)	(127)	(0.4)	(247)	(0.3)	(303)	(0.4)
NON-SERVICE COMPONENT OF COMPANY-SPONSORED PENSION PLAN COSTS	8	-	11	-	17	-	26	-
GAIN (LOSS) ON INVESTMENTS	367	1.1	103	0.3	290	0.4	(429)	(0.5)
NET EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE	(197)	(0.6)	941	2.7	1,051	1.3	1,753	2.2
INCOME TAX EXPENSE (BENEFIT)	(18)	(0.1)	209	0.6	268	0.3	356	0.5
NET EARNINGS (LOSS) INCLUDING NONCONTROLLING INTERESTS	(179)	(0.5)	732	2.1	783	1.0	1,397	1.8
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1	-	1	-	1	-	3	-
NET EARNINGS (LOSS) ATTRIBUTABLE TO THE KROGER CO.	<u>\$ (180)</u>	(0.5)%	<u>\$ 731</u>	2.1%	<u>\$ 782</u>	1.0%	<u>\$ 1,394</u>	1.8%
NET EARNINGS (LOSS) ATTRIBUTABLE TO THE KROGER CO. PER BASIC COMMON SHARE	<u>\$ (0.25)</u>		<u>\$ 1.01</u>		<u>\$ 1.08</u>		<u>\$ 1.92</u>	
AVERAGE NUMBER OF COMMON SHARES USED IN BASIC CALCULATION	719		716		718		720	
NET EARNINGS (LOSS) ATTRIBUTABLE TO THE KROGER CO. PER DILUTED COMMON SHARE	<u>\$ (0.25)</u>		<u>\$ 1.00</u>		<u>\$ 1.07</u>		<u>\$ 1.89</u>	
AVERAGE NUMBER OF COMMON SHARES USED IN DILUTED CALCULATION	719		725		725		730	
DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.29		\$ 0.26		\$ 0.55		\$ 0.47	

Note: Certain percentages may not sum due to rounding.

Note: The Company defines First-In First-Out (FIFO) gross profit as sales minus merchandise costs, including advertising, warehousing and transportation, but excluding the Last-In First-Out (LIFO) charge.

The Company defines FIFO gross margin as FIFO gross profit divided by sales.

The Company defines FIFO operating profit as operating profit excluding the LIFO charge.

The Company defines FIFO operating margin as FIFO operating profit divided by sales.

The above FIFO financial metrics are important measures used by management to evaluate operational effectiveness. Management believes these FIFO financial metrics are useful to investors and analysts because they measure our day-to-day operational effectiveness.

(a) Merchandise costs ("COGS") and operating, general and administrative expenses ("OG&A") exclude depreciation and amortization expense and rent expense which are included in separate expense lines.

(b) LIFO charges of \$4 and \$148 were recorded in the second quarters of 2023 and 2022, respectively. For the year to date period, LIFO charges of \$102 and \$240 were recorded for 2023 and 2022, respectively.

Table 2.
THE KROGER CO.
CONSOLIDATED BALANCE SHEETS
(in millions)
(unaudited)

	August 12, 2023	August 13, 2022
ASSETS		
Current Assets		
Cash	\$ 263	\$ 251
Temporary cash investments	2,157	851
Store deposits in-transit	1,141	1,087
Receivables	1,820	1,869
Inventories	6,828	7,315
Prepaid and other current assets	642	536
Total current assets	12,851	11,909
Property, plant and equipment, net	24,894	24,118
Operating lease assets	6,697	6,771
Intangibles, net	885	917
Goodwill	2,916	3,076
Other assets	1,959	1,950
Total Assets	<u>\$ 50,202</u>	<u>\$ 48,741</u>
LIABILITIES AND SHAREOWNERS' EQUITY		
Current Liabilities		
Current portion of long-term debt including obligations		
under finance leases	\$ 716	\$ 789
Current portion of operating lease liabilities	669	656
Trade accounts payable	7,597	7,446
Accrued salaries and wages	1,182	1,356
Other current liabilities	6,373	6,319
Total current liabilities	16,537	16,566
Long-term debt including obligations under finance leases	12,075	12,488
Noncurrent operating lease liabilities	6,369	6,449
Deferred income taxes	1,452	1,522
Pension and postretirement benefit obligations	419	439
Other long-term liabilities	2,746	1,638
Total Liabilities	39,598	39,102
Shareowners' equity	10,604	9,639
Total Liabilities and Shareowners' Equity	<u>\$ 50,202</u>	<u>\$ 48,741</u>
Total common shares outstanding at end of period	719	716
Total diluted shares year-to-date	725	730

Table 3.
THE KROGER CO.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	YEAR-TO-DATE	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings including noncontrolling interests	\$ 783	\$ 1,397
Adjustments to reconcile net earnings including noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization	1,674	1,574
Operating lease asset amortization	330	329
LIFO charge	102	240
Stock-based employee compensation	92	103
Company-sponsored pension plans	(6)	(20)
Deferred income taxes	(278)	(40)
Gain on the sale of assets	(43)	(13)
(Gain) loss on investments	(290)	429
Other	84	66
Changes in operating assets and liabilities:		
Store deposits in-transit	(14)	(5)
Receivables	227	(10)
Inventories	630	(774)
Prepaid and other current assets	68	115
Trade accounts payable	478	330
Accrued expenses	(434)	(407)
Income taxes receivable and payable	252	(41)
Operating lease liabilities	(378)	(373)
Other	1,087	(473)
Net cash provided by operating activities	<u>4,364</u>	<u>2,427</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for property and equipment, including payments for lease buyouts	(1,954)	(1,430)
Proceeds from sale of assets	89	37
Other	70	5
Net cash used by investing activities	<u>(1,795)</u>	<u>(1,388)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt including obligations under finance leases	(708)	(486)
Dividends paid	(376)	(307)
Proceeds from issuance of capital stock	36	119
Treasury stock purchases	(47)	(975)
Other	(69)	(109)
Net cash used by financing activities	<u>(1,164)</u>	<u>(1,758)</u>
NET INCREASE (DECREASE) IN CASH AND TEMPORARY CASH INVESTMENTS	1,405	(719)
CASH AND TEMPORARY CASH INVESTMENTS:		
BEGINNING OF YEAR	1,015	1,821
END OF PERIOD	<u>\$ 2,420</u>	<u>\$ 1,102</u>
Reconciliation of capital investments:		
Payments for property and equipment, including payments for lease buyouts	\$ (1,954)	\$ (1,430)
Payments for lease buyouts	-	10
Changes in construction-in-progress payables	183	(74)
Total capital investments, excluding lease buyouts	<u>\$ (1,771)</u>	<u>\$ (1,494)</u>
Disclosure of cash flow information:		
Cash paid during the year for interest	\$ 308	\$ 379
Cash paid during the year for income taxes	\$ 290	\$ 432

Table 4. Supplemental Sales Information
(in millions, except percentages)
(unaudited)

Items identified below should not be considered as alternatives to sales or any other GAAP measure of performance. Identical sales is an industry-specific measure, and it is important to review it in conjunction with Kroger's financial results reported in accordance with GAAP. Other companies in our industry may calculate identical sales differently than Kroger does, limiting the comparability of the measure.

	IDENTICAL SALES (a)			
	SECOND QUARTER		YEAR-TO-DATE	
	2023	2022	2023	2022
EXCLUDING FUEL	\$ 29,534	\$ 29,238	\$ 69,108	\$ 67,473
EXCLUDING FUEL (b)	1.0%	5.8%	2.4%	4.8%

(a) Kroger defines identical sales, excluding fuel, as sales to retail customers, including sales from all departments at identical supermarket locations, Kroger Specialty Pharmacy businesses, jewelry and ship-to-home solutions. Kroger defines a supermarket as identical when it has been in operation without expansion or relocation for five full quarters. Kroger defines Kroger Specialty Pharmacy businesses as identical when physical locations have been in operation continuously for five full quarters and discontinued patient therapies are excluded from the identical sales calculation starting in the quarter of transfer or termination. We define Kroger Delivery identical sales powered by Ocado based on geography. We include Kroger Delivery sales powered by Ocado as identical if the delivery occurs in an existing Kroger Supermarket geography. If the Kroger Delivery sales powered by Ocado occur in a new geography, these sales are included as identical when deliveries have occurred to the new geography for five full quarters.

(b) Identical sales without fuel would have grown 2.6% in the 2nd quarter and 4.0% year to date for 2023 if not for the reduction in pharmacy sales from the previously communicated termination of our agreement with Express Scripts effective December 31, 2022.

**Table 5. Reconciliation of Net Total Debt and
Net Earnings Attributable to The Kroger Co. to Adjusted EBITDA**
(in millions, except for ratio)
(unaudited)

The items identified below should not be considered an alternative to any GAAP measure of performance or access to liquidity. Net total debt to adjusted EBITDA is an important measure used by management to evaluate the Company's access to liquidity. The items below should be reviewed in conjunction with Kroger's financial results reported in accordance with GAAP.

The following table provides a reconciliation of net total debt.

	August 12, 2023	August 13, 2022	Change
Current portion of long-term debt including obligations under finance leases	\$ 716	\$ 789	\$ (73)
Long-term debt including obligations under finance leases	12,075	12,488	(413)
Total debt	12,791	13,277	(486)
Less: Temporary cash investments	2,157	851	1,306
Net total debt	<u>\$ 10,634</u>	<u>\$ 12,426</u>	<u>\$ (1,792)</u>

The following table provides a reconciliation from net earnings attributable to The Kroger Co. to adjusted EBITDA, as defined in the Company's credit agreement, on a rolling four quarter basis.

	ROLLING FOUR QUARTERS ENDED	
	August 12, 2023	August 13, 2022
Net earnings attributable to The Kroger Co.	\$ 1,632	\$ 2,442
LIFO charge	488	353
Depreciation and amortization	3,065	2,890
Interest expense	479	572
Income tax expense	565	579
Adjustment for pension plan withdrawal liabilities	25	-
Adjustment for company-sponsored pension plan settlement charges	-	87
Adjustment for loss on investments	9	649
Adjustment for Home Chef contingent consideration	2	32
Adjustment for transformation costs (a)	-	35
Adjustment for merger related costs (b)	139	-
Adjustment for opioid settlement charges (c)	1,560	-
Adjustment for goodwill and fixed asset impairment charges related to Vitacost.com	164	-
Other	(9)	(5)
Adjusted EBITDA	<u>\$ 8,119</u>	<u>\$ 7,634</u>
Net total debt to adjusted EBITDA ratio	<u>1.31</u>	<u>1.63</u>

(a) Transformation costs primarily include costs related to third party professional fees associated with business transformation and cost saving initiatives.

(b) Merger related costs primarily include third party professional fees and credit facility fees associated with the proposed merger with Albertsons Companies, Inc.

(c) Opioid settlement charges include settlements with the nationwide opioid settlement framework and the States of West Virginia and New Mexico.

Table 6. Net Earnings Per Diluted Share Excluding the Adjustment Items
(in millions, except per share amounts)
(unaudited)

The purpose of this table is to better illustrate comparable operating results from our ongoing business, after removing the effects on net earnings (loss) per diluted common share for certain items described below. Adjusted net earnings and adjusted net earnings per diluted share are useful metrics to investors and analysts because they present more accurately year-over-year comparisons for net earnings (loss) and net earnings (loss) per diluted share because adjusted items are not the result of normal operations. Items identified in this table should not be considered alternatives to net earnings (loss) attributable to The Kroger Co. or any other GAAP measure of performance. These items should not be reviewed in isolation or considered substitutes for the Company's financial results as reported in accordance with GAAP. Due to the nature of these items, as further described below, it is important to identify these items and to review them in conjunction with the Company's financial results reported in accordance with GAAP.

The following table summarizes items that affected the Company's financial results during the periods presented.

	SECOND QUARTER		YEAR-TO-DATE	
	2023	2022	2023	2022
Net earnings (loss) attributable to The Kroger Co.	\$ (180)	\$ 731	\$ 782	\$ 1,394
Adjustment for (gain) loss on investments (a)(b)	(282)	(78)	(223)	327
Adjustment for Home Chef contingent consideration (a)(c)	-	8	-	14
Adjustment for merger related costs (a)(d)	47	-	81	-
Adjustment for opioid settlement charges (a)(e)	1,114	-	1,163	-
2023 and 2022 Adjustment Items	879	(70)	1,021	341
Net earnings attributable to The Kroger Co. excluding the adjustment items above	<u>\$ 699</u>	<u>\$ 661</u>	<u>\$ 1,803</u>	<u>\$ 1,735</u>
Net earnings (loss) attributable to The Kroger Co. per diluted common share	\$ (0.25)	\$ 1.00	\$ 1.07	\$ 1.89
Adjustment for (gain) loss on investments (f)	(0.39)	(0.11)	(0.31)	0.45
Adjustment for Home Chef contingent consideration (f)	-	0.01	-	0.02
Adjustment for merger related costs (f)	0.06	-	0.11	-
Adjustment for opioid settlement charges (f)	1.54	-	1.60	-
2023 and 2022 Adjustment Items	1.21	(0.10)	1.40	0.47
Net earnings attributable to The Kroger Co. per diluted common share excluding the adjustment items above	<u>\$ 0.96</u>	<u>\$ 0.90</u>	<u>\$ 2.47</u>	<u>\$ 2.36</u>
Average number of common shares used in diluted calculation	725	725	725	730

Table 6. Net Earnings Per Diluted Share Excluding the Adjustment Items (continued)

(in millions, except per share amounts)

(unaudited)

- (a) The amounts presented represent the after-tax effect of each adjustment.
- (b) The pre-tax adjustments for (gain) loss on investments were (\$367) and (\$103) in the second quarters of 2023 and 2022, respectively. The year-to-date pre-tax adjustments for (gain) loss on investments were (\$290) and \$429 in the first two quarters of 2023 and 2022, respectively.
- (c) The pre-tax adjustment to OG&A expenses for Home Chef contingent consideration was \$10 in the second quarter of 2022. The year-to-date pre-tax adjustments to OG&A expenses for Home Chef contingent consideration was \$18 in the first two quarters of 2022.
- (d) The pre-tax adjustment to OG&A expenses for merger related costs was \$54 in the second quarter of 2023. The year-to-date pre-tax adjustments to OG&A expenses for merger-related costs was \$94 in the first two quarters of 2023.
- (e) The pre-tax adjustment to OG&A expenses for opioid settlement charges was \$1,413 in the second quarter of 2023. The year-to-date pre-tax adjustments to OG&A expenses for opioid settlement charges was \$1,475 in the first two quarters of 2023.
- (f) The amounts presented represent the net earnings (loss) per diluted common share effect of each adjustment.

Note: 2023 Second Quarter Adjustment Items include adjustments for the gain on investments, merger related costs and opioid settlement charges.

2023 Adjustment Items include the Second Quarter Adjustment Items plus the adjustments that occurred in the first quarter of 2023 for loss on investments, merger related costs and opioid settlement charges.

2022 Second Quarter Adjustment Items include adjustments for the gain on investments and Home Chef contingent consideration adjustment.

2022 Adjustment Items include the Second Quarter Adjustment Items plus the adjustments that occurred in the first quarter of 2022 for loss on investments and Home Chef contingent consideration adjustment.

Table 7. Operating Profit Excluding the Adjustment Items
(in millions)
(unaudited)

The purpose of this table is to better illustrate comparable operating results from our ongoing business, after removing the effects on operating profit (loss) for certain items described below. Adjusted FIFO operating profit is a useful metric to investors and analysts because it presents more accurately year-over-year comparisons for operating profit (loss) because adjusted items are not the result of normal operations. Items identified in this table should not be considered alternatives to operating profit (loss) or any other GAAP measure of performance. These items should not be reviewed in isolation or considered substitutes for the Company's financial results as reported in accordance with GAAP. Due to the nature of these items, as further described below, it is important to identify these items and to review them in conjunction with the Company's financial results reported in accordance with GAAP.

The following table summarizes items that affected the Company's financial results during the periods presented.

	SECOND QUARTER		YEAR-TO-DATE	
	2023	2022	2023	2022
Operating profit (loss)	\$ (479)	\$ 954	\$ 991	\$ 2,459
LIFO charge	4	148	102	240
FIFO Operating profit (loss)	(475)	1,102	1,093	2,699
Adjustment for Home Chef contingent consideration	-	10	-	18
Adjustment for merger related costs (a)	54	-	94	-
Adjustment for opioid settlement charges (b)	1,413	-	1,475	-
Other	(3)	(2)	(4)	(6)
2023 and 2022 Adjustment items	1,464	8	1,565	12
Adjusted FIFO operating profit excluding the adjustment items above	\$ 989	\$ 1,110	\$ 2,658	\$ 2,711

- (a) Merger related costs primarily include third party professional fees and credit facility fees associated with the proposed merger with Albertsons Companies, Inc.
- (b) Opioid settlement charges include settlements with the nationwide opioid settlement framework and the State of West Virginia.