Kroger Ecosystem

The Kroger Co.
1014 Vine Street
Cincinnati, Ohio, 45202-1100
Phone: (513) 762-4000; www.kroger.com

Outside Relationships

Regulators

General Business Regulation

- U.S. Department of the Treasury (Anti-Money Laundering Laws; Prohibition on Transactions with Terrorists, Drug Traffickers, and Sanctioned Nations and Individuals)
- U.S. Department of Labor and Foreign Counterparts (Wage and Overtime Record Keeping, Fair Hiring, Serious Injury Reporting)
- U.S. Environmental Protection Agency (EPA) (Regulates Use, Storage, and Disposal of Battery Packs, Transport of Dangerous Goods; Greenhouse Gas Emissions)
- U.S. Patent and Trademark Office, and U.S. Copyright Office (Intellectual Property Registration)

Health Insurance and Medical Regulators

Insurance, Pricing, and Privacy

- Department of Health and Human Services (HHS), its Agencies, and State Regulators
- Medicare Supplier Standards, Anti-Fraud and Abuse, False Claims and Billing
- Protection of Patient Identifiable Health and Personal Information
- Unfair Trade Practices and Competition
- Protection of Private Financial Information
- Protection of Retirement Assets and Benefits and Fiduciary Duties
- State Privacy and Security Regulation
- Workers' Compensation and Fee Schedule Pricing Compliance
- Commercial Product Pricing (Medical Loss Ratios) and Underwriting Restrictions (Pre-existing Conditions, Children Under 26 Years)
- Oversight of Medicaid Services, Enrollment, Payment, and Provider Network

Capital

- Senior Public Debt Holders
- Commercial Banks (Bank of America, Wells Fargo, Citibank, Mizuho, and U.S. Bank)

Bond Financing

Revolving Credit Financing

General Business Regulation

Suppliers

Select Consumer Products Suppliers

- Johnson & Johnson (Beauty and Personal Care Products)
- Conagra Brands (Food and Food Ingredients)
- General Mills (Cereals, Grains, Yogurt)
- Coca-Cola (Soft Drinks and Bottled Water)
- Kellogg (Snacks and Cereals)
- Our Brands (Proprietary Kroger Manufactured Items)
- Sysco (Sandwiches and Salads For In-Store Delis and Commissaries)

Wholesale Sale of Fresh and Non-Perishable Food, Food-Related Utensils, Cookware and Dishes, and Beverages, and Beauty, Health and Personal Care Products

Health Insurance, Pricing, Antifraud, and Health Privacy Regulation

Health Insurance

Health Insurers

- Cigna Corporation
- CVS Health/Aetna
- UnitedHealth Group
- Other Health Insurers

Health Insurance Sponsors

Sponsors

- Employers
- Insurance Companies
- Government Employee Groups

Membership in Health Insurers' Pharmacy Networks

- Public Health Insurance Exchanges
- Labor Unions
- Health Plans
- Prescription Drug Plans (PDPs)
- Medicare Part D Plans

Drug and Medical Device Suppliers

- Johnson & Johnson (Prescription Drugs, Over-the-Counter Drugs)
- Alexion (Therapeutic Medicines)
- McKesson (Pharmaceuticals and Medical Device Distribution)
- Cardinal Health (Pharmaceuticals and Medical Device Distribution)

Wholesale Sale of Branded, Generic, Specialty, Over-the-Counter Drugs, and Medical Devices

Retail Sales of Branded, Over-the-Counter Drugs, and Medical Devices and Dispensing of Branded, Generic, and Specialty Prescription Drugs

Health Insurance Beneficiaries

- Seniors
- Patients
- Employees
- Dependents
- Retirees

Customers

Bond Financing

Revolving Credit Financing

General Business Regulation

Wholesale Sale of Fresh and Non-Perishable Food, Food-Related Utensils, Cookware and Dishes, and Beverages, and Beauty, Health and Personal Care Products

Health Insurance, Pricing, Antifraud, and Health Privacy Regulation

Membership in Health Insurers' Pharmacy Networks

Wholesale Sale of Branded, Generic, Specialty, Over-the-Counter Drugs, and Medical Devices

Retail Sales of Branded, Over-the-Counter Drugs, and Medical Devices and Dispensing of Branded, Generic, and Specialty Prescription Drugs

The Kroger Co. (an Ohio Corporation)

Debt Structure

Debt ($13.256 Billion @ 2/1/2020) | Credit Ratings: BBB (S&P), Baa1 (Moody's) | Lease Liabilities ($7.102 Billion)

- 1.50% - 8.00% Senior Notes (Maturing 2021 – 2049): $11.598 Billion
- 5.63% - 12.75% Mortgage (Maturing 2021 – 2027): $12 Million
- Commercial Paper Borrowings: $1.150 Billion
- Unsecured Revolving Credit Facility: $2.75 Billion

Equity Structure

Equity

- Preferred Stock — *Authorized: 5 Million; Issued: None; Outstanding: None; Record Holders: None*
- 1999 and 2019 Share Repurchase Programs — *Authorized: $1 Billion; Balance: $600 Million; Expiration: None*
- Common Stock — *Authorized: 2 Billion; Issued: 1.918 Billion; Outstanding: 788 Million; Record Holders: 26,407*

Governance

Board of Directors

- Nora A. Aufreiter (F, P)
- Kevin M. Brown (A, P)
- Anne T. Gates (A, P)
- Karen M. Hoguet (A, F)
- Susan J. Kropf (C, CG)
- Clyde R. Moore (C, CG)
- Ronald L. Sargent (A, CG, P)
- J. Amanda Sourry Knox (C, F)
- Mark S. Sutton (C, F)
- Ashok Vemuri (F, P)

Committees:

Audit (A); Public Responsibilities (P); Financial Policy (F); Compensation (C); Corporate Governance (CG);

Management Team

- Chairman and CEO: Rodney McMullen
- Executive Vice President & Chief Operating Officer: Michael J. Donnelly
- Senior Vice President & CFO: Gary Millerchip
- Senior Vice President & Chief Information Officer: Yael Cosset
- Senior Vice President: Stuart W. Aitken
- Senior Vice President: Calvin J. Kaufman
- Senior Vice President, HR & Labor Relations: Timothy A. Massa
- Senior Vice President: Stephen M. McKinney
- Vice President and Treasurer: Carin L Fike
- Group Vice President, Manufacturing: Erin S. Sharp
- Senior Vice President: Mark C. Tuffin
- Group Vice President, Secretary, & General Counsel: Christine S. Wheatley

Corporate Matters

Medical

- Clinical Affairs
- Medical Affairs
- Health Care Strategy

Strategy and Digital

- Enterprise Strategy
- Strategic Prioritization and Business Integration
- Growth Acceleration Through Partnerships, Investments, and Acquisitions
- E-Commerce
- Consumer Experience

Finance and Accounting

- Mergers and Acquisitions
- Internal Audit
- Accounting
- Treasury and Capital Planning
- Financial Reporting
- Tax
- Risk Management
- Budgeting and Planning
- Investor Relations
- Investments
- Procurement

Operations

- Manufacturing Plants
- Pharmacy
- Retail and Groceries
- Fuel

Human Resources

- HR Enterprise Leadership
- Employee Engagement and Experience
- Compensation and Benefits
- Talent Management
- Leadership Development

Policy, External Affairs and Legal

- Policy
- Government and Public Affairs
- Corporate Communications
- Legal
- Regulatory

Transformation

- Business Transformation Initiatives for Growth
- Innovation
- Business Metrics

Operations

Retail

(2019 Revenue: $122.286 Billion)

Groceries, Pharmaceuticals, Fuel, and Other

Supermarkets (2,757 Stores)

Fresh Foods ($29 Billion)

- Fruits
- Vegetables
- Dairy
- Meat
- Fish
- Grains
- Seeds
- Bread

Non-Perishable ($61 Billion)

- Canned Items
- Snacks
- Beverages
- Dried Fruits
- Dried Vegetables
- Dried Meats
- Processed Foods
- Frozen Foods

Store Formats

- **Combination Food/Drug** — Primary Food Store Format For Customers in a 2.5 Mile Radius; Facilitates One-Stop Shopping with Specialty Departments; Natural Food and Organic Sections; Pharmacies; General Merchandise; Pet Centers; High-Quality Perishables (Fresh Seafood and Organic Produce)
- **Multi-Department Stores** — Sells Combination Food/Drug Items; General Merchandise Items: Apparel, Home Fashion, Home Furnishings, Outdoor Living, Electronics, Automotive Products, Toys
- **Marketplace Stores** — Typical Combo Store Offerings; Expanded Perishable Offerings; General Merchandise Items: Apparel, Home Goods, Toys
- **Price-Impact Warehouses** — "No-Frills, Low Cost" Warehouse Format; Affordable Pricing and Promotions; Grocery Items: Meat, Dairy, Baked Goods, Fresh Produce

Local Banner Names

JayC Food Stores; Baker's; King Soopers; City Market; Fooods Co.; Owen's; Roundy's; Fred Meyer Jewelers; Food 4 Less; Ruler Foods; Mariano's; Food Stores; Fry's; Smith's; Kroger; The Little Clinic (Convenient Neighborhood Medical Care); Gerbes; Ralphs; Fred Meyer; QFC (Quality Food Centers); Pay Less Super Markets; Dillons; metro market; Harris Teeter (Your Neighborhood Food Market); Pick 'n Save

Other

Jewelry (253 Stores)

- Rings
- Loose Diamonds
- Gemstones
- Engagement
- Wedding
- Bands
- Earrings
- Necklaces
- Bracelets
- Chains
- Watches
- Lifetime Warranty

Brands

Fred Meyer; Littman Jewelers

Since 2004, Kroger has followed the Kimberley Process in certifying that its diamonds are responsibly sourced from a legitimate diamond supply chain

Other Products and Services

- **Personal Finance**: Postage; Money Services; Lottery; Credit Cards; Gift Cards; Money Services
- **Digital**: Pick Up; Delivery
- Pickup in 1989 Locations
- Delivery in 2385 Locations
- 97% of Kroger Households Covered

Pharmacies (Within 1,227 Stores)

- Prescription Refills
- Over-The-Counter Drugs
- Nutrition
- Prescription Drugs
- Flu Shots

Fuel Centers (1,567 Adjacent to Stores)

- Kroger Fuel Rewards
- Diesel
- Premium Gasoline

Manufacturing Facilities (36 Plants)

- "Our Brands" Product Line (Over 16,000 Private Label Items)
- Over 30% of "Our Brands" Grocery and Other Items are Produced in Kroger Plants

Kroger Manufactures Following Products:

Products	Proprietary Brands
Meat	Simple Truth
Bakery	Big K
Dairy	Heritage Farm
Deli	Check This Out
Grocery	

Store Footprint



Kroger Operations in 35 States

Regulation of Controlled Substances, Retail Health Clinics, and the Practice of Pharmacy, Medicine and Nursing

Food and Drug Safety Regulation

Fuel Customers

- Motorists
- Kroger Rewards Card Members
- Kroger Credit Card Holders
- Retail Consumers

Outside Relationships

Customers

Securities Regulation and NYSE Listing Rules

Dividends and Common Stock Repurchases

Equity Capital

Professional Services

Sales of Rings, Watches, Earrings, Necklaces, Bracelets and Other Jewelry

Wholesale Jewelry and Diamond Supplies

Jewelry and Diamond Regulations

Groceries and Consumer Products Sales

Kroger Rewards Membership Program Credit Card

Memberships in Kroger Rewards Program

- Jewelry Customers
- Supermarket Customers
  - Retail Customers
  - Kroger Credit Card Holders
  - Kroger Rewards Card Members

Suppliers

Professional Services Firms

- PwC (Audit Services)
- Smith-Free Group (Lobbying)
- Dentsu Aegis Network (Integrated Media)
- Vibenomics ("Audio Out-of-Home" Advertising Network in Stores)

Select Jewelry Supply Chain

- Legitimate Diamond Supply Chain
- Precious Metals and Stones
- Precious Metals and Stones
- Fine Jewelry Wholesalers

Capital

Significant Shareholders

- BlackRock (9.49%)
- The Vanguard Group (9.47%)
- SSGA Global Advisors (5.41%)
- Berkshire Hathaway (4.4%)
- Renaissance Technologies (3.24%)
- Institutional Ownership: 87.17%

Issuance of Credit Cards

- U.S. Bank
- Kroger Rewards Card Members

Regulators

Securities Regulators

- US Securities and Exchange Commission (Public Disclosure and Financial Reporting Regulation, Anti-Corruption Law)
- New York Stock Exchange (Stock Listing and Maintenance Rules)

Jewelry Regulators

- Federal Trade Commission (FTC) (Guidelines for Prevention of Deception in Jewelry Marketing and Purchases)
- U.S. Department of State (Origin Rules)
- Kimberley Process Certification Scheme (United Nations General Assembly Regulation Process of Oversight to Prevent Conflict Diamond Acquisition)
- Responsible Jewellery Council (Promotes Ethical, Human Rights Practices in Jewel Industry)

Key Company Data (as of 2/1/2020)

Share Information

- Ticker Symbol: KR
- Share Price (3/3/20): $33.25
- Forward Annual Dividend: $0.72
- Diluted Earnings Per Share: $3.74
- Market Cap: $26 Billion

Financial Highlights

- Total Revenue: $122.286 Billion
- Net Income: $1.365 Billion
- Net Cash From Operations: $4.664 Billion
- Total Liabilities: $36.683 Billion

Resources

- Employees: 435,000
- Total Assets: $45.256 Billion
- 11M Customers Daily
- 262 Million Prescriptions Filled

Competition

- Costco Wholesale
- CVS Health (Pharmacy and Non-Grocery Items)
- Walgreens Boots Alliance (Pharmacy and Non-Grocery Items
- Albertsons
- Target
- Walmart

Recent Developments

Stores Closing Due to Hazard Laws:
Kroger to close two stores in Seattle over discrepancies of newly-passed $4-an-hour hazard pay requirement.

Security Breach:
Kroger was affected by a security breach of Acellion, a leading personal health and pharmacy information platform

Key Company Initiatives and Campaigns:

- Customer Personalization
- Zero Hunger
- Zero Waste
- Seamless Ecosystems
- Customer Loyalty
- Our Brands

Drug, Pharmacy, Practitioner, and Health Clinics Regulation

State Licensing Boards and Agencies (Licensure for State Corporate Practice of Medicine, Pharmacy, Retail Clinical Services and Nursing)

U.S. Drug Enforcement Agency and State Agencies (Dealer Registration and Security and Operating Standards for Sale, Packaging, and Storage of Controlled Substances)

Food and Drug Safety Drug, Pharmacy, Practitioner, and Health Clinics Regulation

U.S. Food and Drug Administration (Protection of Public Health; Food, Drug, and Consumer Product Regulation)

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