



The Kroger Co. (KR)

Updated June 25th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	\$72	5 Year CAGR Estimate:	2.0%	Market Cap:	\$49 B
Fair Value Price:	\$59	5 Year Growth Estimate:	4.0%	Ex-Dividend Date¹:	08/15/25
% Fair Value:	122%	5 Year Valuation Multiple Estimate:	-3.9%	Dividend Payment Date¹:	09/01/25
Dividend Yield:	1.8%	5 Year Price Target	\$72	Years Of Dividend Growth:	17
Dividend Risk Score:	C	Sector:	Consumer Staples	Rating:	Hold

Overview & Current Events

Founded in 1883 and headquartered in Cincinnati, Ohio, Kroger is one of the largest retailers in the U.S. The company has over 2,700 retail stores under two dozen banners, along with fuel centers, pharmacies, and jewelry stores in 35 states. The \$49 billion company serves more than 11 million customers a day.

On October 14th, 2022, Kroger announced that it had entered into a definitive merger agreement with Albertsons Companies, Inc. (NYSE: ACI) to purchase all of Albertsons' outstanding shares at \$34.10 per share, for a total value of roughly \$24.6 billion. Then on December 11th, 2024, Kroger terminated its merger agreement with Albertsons after the FTC's request for a preliminary injunction to block the proposed merger was granted. Due to this, Kroger now has available financial capacity, which it will use to repurchase up to \$7.5 billion of its shares. The company aims to repurchase \$5 billion of these shares in an accelerated share repurchase by Q3 2025, and the remaining \$2.5 billion by the end of the fiscal year.

On October 4th, 2024, Kroger closed the sale of its specialty pharmacy business for \$464 million, which will reduce annualized sales by \$3 billion, but improve consolidated margin, as its pharmacy business was low margin.

On June 20th, 2025, Kroger reported first quarter 2025 results for the period ending May 24th, 2025. (Kroger's fiscal year ends the Saturday closest to January 31st.) For the quarter, Kroger reported \$45.1 billion in sales, lower by 0.4% compared to Q1 2024 due to the sale of its specialty pharmacy business. Excluding these items, and fuel, sales increased 3.7% compared to the year ago. Adjusted earnings-per-share equaled \$1.49 compared to \$1.43 in 1Q24.

Kroger updated fiscal 2025 guidance. The company now expects identical sales growth without fuel to be in the range of 2.25% to 3.25% but still expects adjusted earnings-per-share of \$4.60 to \$4.80.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.06	\$2.12	\$2.04	\$2.11	\$2.19	\$3.47	\$3.68	\$4.23	\$4.76	\$4.47	\$4.70	\$5.72
DPS	\$0.41	\$0.47	\$0.50	\$0.55	\$0.60	\$0.68	\$0.78	\$0.94	\$1.10	\$1.22	\$1.28	\$1.71
Shares²	967	924	870	798	788	758	726	716	719	691	615	570

Kroger faced challenges growing its earnings-per-share significantly in the 2015 through 2019 timeframe due to the fierce competition in the retail sector. Prior to 2020, growth was more difficult to achieve, but the company has performed very well since. In the last nine and five years, Kroger increased its EPS at 9.0% and 15.3% CAGR, respectively. The COVID-19 pandemic, which plagued many businesses, had been a tailwind for groceries, and Kroger in particular. To this point, earnings were significantly higher in 2020, marking a banner year at the time. Since then, Kroger has built on this momentum, earning record results each year until 2024. In 2022 the company executed its Leading with Fresh and Accelerating with Digital strategies platforms, increasing delivery sales.

¹ Estimate

² In millions.

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The company has reduced its share count by 3.7% over the last decade. And now that the Albertson's merger has been terminated, Kroger intends to repurchase \$7.5 billion of its common stock.

We are estimating \$4.70 in earnings-per-share this year to go along with a 4.0% intermediate-term growth rate.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.2	16.4	12.8	13.2	11.6	9.4	10.6	11.6	9.7	12.1	15.4	12.6
Avg. Yld.	1.1%	1.3%	1.9%	2.0%	2.4%	2.1%	1.9%	1.8%	2.2%	2.2%	1.8%	2.4%

During the last decade, shares of Kroger have traded hands with an average P/E ratio of 12.6 times earnings. We peg fair value at this mark. With shares trading at 15.4 times expected earnings, this implies a negative change in the valuation from here.

Safety, Quality, Competitive Advantage, & Recession Resiliency

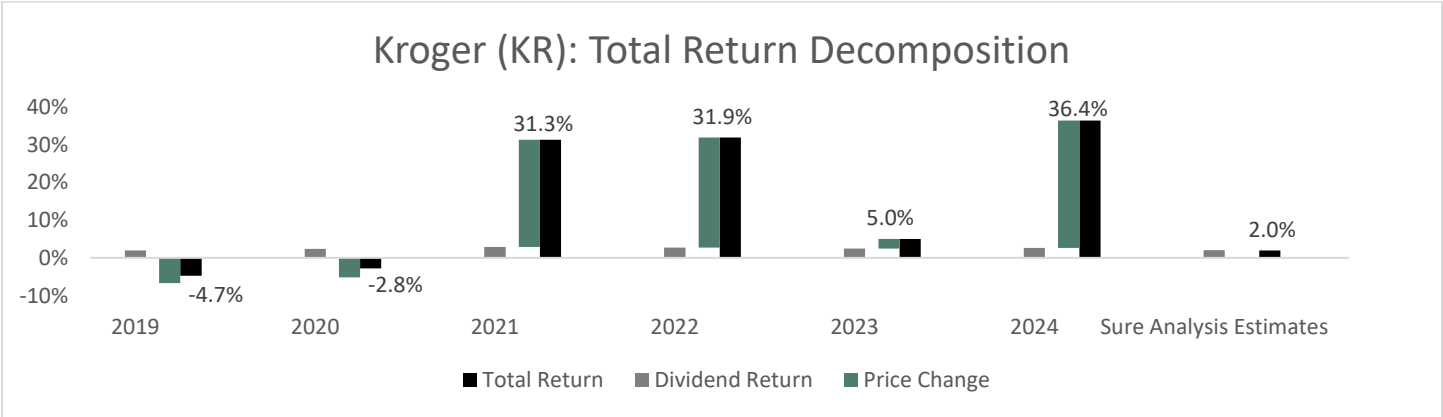
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	20%	22%	25%	26%	27%	20%	21%	22%	23%	27%	27%	30%

Although the large scale and reach of Kroger offers some economies of scale, and thus a competitive advantage, competition has heated up more than ever in the retail sector. As a result, Kroger lacks a meaningful moat. Still, while most companies saw their earnings collapse during the Great Recession, Kroger exhibited exceptional resilience posting earnings-per-share of \$0.95, \$0.87, \$0.87, and \$1.00 during the 2008 through 2011 stretch. Kroger always operates at a razor-thin margin, between 1% and 3%, which allows it to keep competitors at bay but also means that the stock is extremely sensitive to competitive pricing pressures. Kroger has been prudent about its dividend, with a payout ratio sticking around the 20% to 30% range. The larger capital return focus has been share repurchases, and with the termination of the Albertson's merger, this is ramping up again. At the end of the most recent quarter, Kroger held \$4.7 billion in cash and temporary cash investments, \$15.8 billion in current assets (45% of which is inventory) and \$53.2 billion in total assets against \$16.6 billion in current liabilities and \$44.3 billion in total liabilities. Net total debt stood at \$13.5 billion.

Final Thoughts & Recommendation

Shares of Kroger have increased by 18% year-to-date, handily beating the 4% gain of the S&P 500 Index. Kroger has proved to be a strong and resilient business, and results improved dramatically amid the pandemic. We forecast the potential for 2.0% annual total returns, stemming from 4.0% growth, and a 1.8% starting yield, partly offset by -3.9% P/E multiple contraction. Kroger maintains its hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue (\$B)	108.47	109.83	115.34	123.28	121.85	122.29	132.50	137.89	150.04	147.12
Gross Profit	22,953	24,334	25,835	27,469	26,749	26,992	30,901	30,349	33360	33400
Gross Margin	21.2%	22.2%	22.4%	22.3%	22.0%	22.1%	23.3%	22.0%	22.2%	22.7%
SG&A Exp.	17,868	18,669	20,043	22,421	21,670	22,092	25,374	24,048	861	877
D&A Exp.	1,948	2,089	2,340	2,436	2,465	3,289	3,373	3,429	3750	3849
Operating Profit	3,137	3,576	3,452	2,612	2,614	2,251	2,780	3,477	3126	3849
Op. Margin	2.9%	3.3%	3.0%	2.1%	2.1%	1.8%	2.1%	2.5%	2.1%	2.6%
Net Profit	1,728	2,039	1975	1,907	3,110	1,659	2,585	1,655	2164	2665
Net Margin	1.6%	1.9%	1.7%	1.5%	2.6%	1.4%	2.0%	1.2%	1.4%	1.8%
Free Cash Flow	1,384	1,568	573	604	1,197	1,536	3,950	3,576	2884	1777
Income Tax	902	1,045	957	-405	900	469	782	385	667	670

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	30,497	33,897	36,505	37,197	38,118	45,256	48,662	49,086	50520	52620
Cash & Equivalents	268	277	322	347	429	399	1,687	1,821	1883	3959
Acc. Receivable	1,266	1,734	1,649	1,637	1,589	1,706	1,781	1,828	2136	2195
Inventories	5,688	6,168	6,561	6,533	6,846	7,084	7,063	6,783	7105	7038
Goodwill & Int.	3,061	3,777	4,184	4,025	4,345	4,142	4,073	4,018	3815	3508
Total Liabilities	25,055	27,099	29,795	30,292	30,283	36,683	39,112	39,657	38920	44340
Accounts Payable	5,052	5,728	5,818	5,858	6,059	6,349	6,679	7,117	10400	10120
Long-Term Debt	11,597	12,079	14,077	15,589	14,351	13,256	12,410	11,745	12230	17900
Total Equity	5,412	6,820	6,698	6,931	7,886	8,602	9,576	9,452	11600	8281
LTD/E Ratio	2.14	1.77	2.10	2.25	1.82	1.54	1.30	1.24	1.05	2.16

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	5.8%	6.3%	5.6%	5.2%	8.3%	4.0%	5.5%	3.4%	4.3%	5.2%
Return on Equity	32.0%	33.3%	29.2%	28.0%	42.0%	20.1%	28.4%	17.4%	20.0%	26.8%
ROIC	10.2%	11.4%	10.0%	8.8%	13.9%	7.5%	11.8%	7.7%	9.6%	11.1%
Shares Out.	967	924	870	798	788	758	754	754	725	720
Revenue/Share	109.2	112.07	120.39	136.37	148.96	151.91	169.65	182.88	206.95	204.34
FCF/Share	1.39	1.60	0.60	0.67	1.46	1.91	5.06	4.74	3.98	2.47

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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