



Q1 2026 Financial Results of Zabka Group | 29th April, 2026

Moderator:

Good morning and welcome to the Q1 2026 Financial Results of Żabka Group. After the speaker's remarks, there'll be a question and answer session. This webcast will be recorded and an archive of the webcast will be posted on the company website. By participating in the Zoom call, you are agreeing that recordings made during this event may be shared by Żabka Group. For those of you who are joining us via Zoom, if you wish to ask a question during the Q&A, we ask that you please use the raised hand function at the bottom of your Zoom screen. Or if you've dialed in, please press star nine. If you already have a question, please do this now. Once it's your turn, the moderator will introduce you. Please then unmute yourself and ask your question. I'd now like to turn the call over to Filip Paszke.

Filip Paszke:

Thank you very much. And hello everyone and welcome to our Q1 2026 earnings call. My name is Filip Paszke and I'm a director responsible for corporate development and investor relations. We have an about 25 minute presentation followed by a Q&A session. I'd like to hand over now to Mr. Tomasz Suchański, CEO of Żabka Group. Thank you.

Tomasz Suchański:

Thank you, Filip. Good morning or good afternoon. My name is Tomasz Suchański. I'm CEO of Żabka Group, and as usually, I'm joined today with two of my colleagues from the board, Marta Wrochna-Łastowska, the group CFO, and Tomasz Blicharski, the group chief strategy and development officer. So let's start with the headline numbers for the first quarter of 2026. Żabka recorded another quarter of growth supported by both sales development and strong operating performance. Sales to end customers reached a 7.4 billion Polish złoty, up 12% year-on-year. Like-for-like growth was 3.2%. We also continued to expand the network, the main pillar of our strategy. As of the end of March, we operated 12,750 stores in Poland and in Romania, which is 1,393 more than a year ago. Profitability remained resilient, adjusted a bit increased to 674 million up 13.1% year-on-year, and the adjusted EBITDA margin improved to 9.1%, up 0.1 percentage points.

And finally, we further maintain a strong balance sheet. Net depth adjusted EBITDA stood at 1.1 times improving by 0.4 times versus 31st of March last year. So overall, we delivered solid top line growth, continued network expansion, and stable profitability. Quick word on how the first quarter fits into our strategic priorities. The external backdrop at the start of 2026, as was the case throughout 2025 as well,

has been mixed. Consumer sentiment has remained broadly neutral with some mixed silence linked to geopolitical situation. However, from our perspective, the key swing factor in Q1 was the weather. January and February brought unusually low temperatures and heavy snowfall, which had an adverse impact on footfall. In March, the performance has been fully on track. Against that backdrop, we continued to execute on our growth pillars. First, network expansion remained very strong. We remained on track to deliver our ambition of 1,300 plus those openings per year in Poland and Romania.

Second, like-for-like performance improved as the quarter progressed, with the underlying trajectory consistent with our full year ambition of mid to high single digit like-for-like growth. Third, we continue to develop our new growth engines. In Romania, we reached 204 stores at the end of March with very satisfactory performance and expansion into two new cities. And in this year, we continue to introduce new services and solutions that strengthen our ecosystem. That Tomasz will give you more information in just a few moments. So overall, we continue to move forward across expansion, like-for-like initiatives and new growth engines. And with that, I will hand over to Tomasz, who will take you through the market environment and our strategic execution in more detail. Thank you.

Tomasz Blicharski:

Thanks, Tomasz. Hi, everyone. So starting with the environment, in Q1 of this year, the broader environment remained broadly supportive to the growth, especially in terms of household financial situation assessment, continued positive real wages growth and other matrixes. Having said that at the end of the quarter, there is some increased uncertainty coming from the situation in the Middle East, which impacted the customer confidence and also the energy price increase resulted in a slight uptick of inflation. Having said that, the theme for Q1 was what Tomasz mentioned, I also mentioned during the last call for the annual call, was the weather. The weather contributed to lowering of the entire market growth with Q1 growth of 2.5% as compared to the 5% more or less recorded in the last year as per the Nielsen data. On that backdrop, we continue to be the strongest growing channel and one of the strongest growing players. And our market share, similarly to all prior quarters, have continued to increase this time close to 11% at the end of the quarter.

We decided given the weather impact, we decided to share a bit more data on like-for-likes during the quarter, as you can see here. And those for you who do not live in Poland, the first roughly 45 days in the month, sorry, in the quarter were effectively what can be described as the winter of the century with very low temperatures, snowfall, ice, et cetera. That resulted in the traffic on the streets, foot traffic on the streets, and had a negative impact on our sales, as you can see here. Once the weather materialized, normalized, we have seen the return of people on the street and our sales returned on track, as you can see here in March. And we see that when the weather is comparable to prior periods, the sales dynamics is in line with our expectations. Having said that, for the Q1 of this year, 70% of the days had materially lower temperature compared to last year, which had an overall impact in terms of the like for-like sales. It is worth remembering though that the first quarter is typically the lowest sales quarter in the year, with on average 21% of sales coming in that quarter. Moving back to assessment of our growth, we continued to our strong expansion of network in the quarter. For the last 12 months, in Poland, we opened close to

1.3,000 stores, one of the record periods ever, if not the record one. Similarly, we accelerated our growth in Romania with 121 stores opened in last 12 months. We also expanded to new geographies beyond Bucharest and beyond the existing cities, which shows that we are on track to increasing the scale there. Overall, our network at the end of the quarter was close to 13,000 stores. And for the entire 12 months ending in March, we opened close to 1.4,000 stores and we remain one of the fastest growing retailer not only in Poland and in the region, but also in Europe. In terms of like-for-likes, I mentioned about the overall weather impact, but obviously we also continued with our strategic initiatives and QMS is one of the strategic category for us.

This quarter, we launched a very successful campaign promoting lunch meals, sales on Thursday. In that day, during this period, the sales of lunch meals have grown to more than 500,000 units per day, and the customers were not only coming during that day for these products, but also returning in other days and after the promotion was over. And QMS was the fastest growing category that we have observed in Q1. In new businesses, we opened a test of new sales channel as smart vending solution. We installed first 40 plus machines, vending machines, which in many markets, vending machine is a complimentary format to convenience. For us, it's a first phase of test. The machines that we have sell QMS and beverages, they have a big screen and are integrated with our app. You can earn jobs there, and we are observing what's going to be the customer reaction to it.

We're fine-tuning the operations model for this, and we'll come back to you with the update on how material this can be in the coming periods. In our existing businesses, we have had a very good growth of light e-commerce, both for Jush and Delio in the quarter, nine million deliveries so far, and Lite remains the fastest percentage-wise at least, or one of the fastest growing companies within the group. Finally, in terms of Maczfit performance, so direct to consumer businesses, we have initiated at the end of the quarter, a long-term strategic cooperation with Jamie Oliver, which is a well-known cook globally, who became a co-author of the meals, and we use this long-term strategic partnership to leverage and increase the growth of the business forward. And with that, in terms of results, I'm going to pass the word to Marta to go through financials. Thank you.

Marta Wrochna-Lastowska:

Thank you, Tomek. I will start with the key financial highlights for the first quarter of 2026. We delivered solid top-line performance as both my colleagues already shared with you. Sales to end customers reached 7.4 billion Polish zloty, up 12% year-on-year. Like-for-like growth was 3.2 for the quarter. As Tomek outlined, performance strengthened as the quarter progressed, positioning us well to deliver against our near term like-for-like growth guidance. We opened 435 new stores in Poland and Romania in the quarter, supporting our annual ambition over 1,300 openings, with a steady pipeline of newly recruited franchisees.

Moving to profitability, adjusted EBITDA reached 674 million, up more than 13% year-on-year, with the margin improving to 9.1% from 9.0 last year. Reported EBITDA was 648 million, up 19%, and it includes 26 million non-cash recognition related to the long-term incentive plan. As expected for the first quarter,

reflecting our seasonality, the group recorded a net loss. The adjusted net results amount minus 51 million Polish zloty, an improvement of 26 million year-on-year. This was driven by continued improvement in operating performance, and a more efficient financing structure resulting in lower financial costs versus the prior year.

Turning to cash flow and leverage. We generated positive free cash flow of 28 million Polish zloty supported by disciplined capital expenditure execution and effective cost management, despite unfavorable working capital movements related to store pre-stocking. Net debt to EBITDA stood at 1.1 times EBITDA as at the end of March, demonstrating the usual seasonal pattern, with first quarter affected by the repayment of year-end liabilities, changes in store assortment, and the inventory buildup ahead of the spring and Easter season.

Now, key points to highlight in terms of our financial metrics. We opened 403 stores in Poland and 32 stores in Romania, putting us at 204 stores in this new market. For those of you who know Romania, we are now in Cracow and Wroclaw. We are happy with the performance of stores in Romania. As we have already informed you the number of tickets in this country has already reached the level we observe in Poland and is still growing. We are also particularly pleased with the performance of office location. And as you may imagine, we are consistently fine-tuning our offer to best serve our customers in Romania. When you look on the table, the franchisee margin was 50 basis points higher than in the previous year, and that's a result of two factors. First of all, provisions for future payments related to inventory in the stores, and also our support to the franchisees in seasonally lowest first quarter. The improvement in gross margin, gross profit margin, was supported by, among other factors, strong logistics execution and disciplined cost management, driven primarily by lean transportation practices and continued optimization of order processes. Another factor was improvement of energy efficiency in stores, which allowed for lower usage of energy as well as lower energy rates.

Adjusted EBITDA margin was up 10 basis points and the solid performance of our business allowed us to absorb investment into promo campaigns, such as Thursday lunches, that Tomek described. We are pleased to see the benefits of our improved financing structure starting to materialize. Following the refinancing last year, lower debt margins have translated into a meaningful reduction in financing costs. It is visible in the profit interests. Interest expenses on our debt declined by more than 30%, excluding store lease interests, falling from almost 150 million Polish zloty last year to 104 million Polish zloty this year.

Now moving to the EBITDA bridge. Our EBITDA profitability held up well despite a challenging environment, as you've heard in the first quarter. Main factor taking the EBITDA up were sales growth, adding 95 million, and a gross margin effect of approximately 40 million, reflecting stronger profitability in Poland. The cost increase you see on this slide is a natural consequence of business growth, contemplated by some phasing effects between the reporting periods. The new growth engine result of minus 32 million reflects an investment phase into Romania. And below adjusted EBITDA, reported EBITDA, as you see, was 648 million, mainly due to 26 million of non-cash long-term incentive plan costs. Those costs are lower in the first quarter this year compared to the first quarter last year. And considering

the IFRS recognition of LTIP costs, we expect to see those costs lower also over the following quarters of 2026.

And now moving to cash flow. On cash flow, we delivered positive free cash flow in the first quarter. Working capital was the main year-on-year swing factor with a new net outflow of 48 million in first quarter this year versus an inflow last year. The difference was driven by higher promotional activity this year and a deliberate buildup of inventory in the Zabka stores ahead of the Easter season, which this year was in the first days of April. Due to timing of Easter, the inventory buildup in 2025 took place only in the beginning of second quarter, instead of end of first quarter as was the case this year. This had, as you may imagine, an impact on our networking capital result. Consequently, looking at the table, free cash flow reached 28 million compared to 91 million a year ago.

And now in terms of balance sheet strength, we continue to support further deleveraging year-on-year. Net leverage, excluding leases, improved materially over the last 12 months. It moved from 1.6 times at the end of March 2025 to 1.1 time as at the end of first quarter 2026. The slight step up versus year-end is consistent with the typical pattern, quarterly pattern. Last year, the leverage increased similarly, as you remember, in the beginning of the year. We expect it will continue to improve in the following quarters, given that expected cash flow generation in the main season in summer.

And finally, to summarize, let me reaffirm our medium-term expectations. On network expansion, we aim to open over 1,300 new stores in 2026, and we continue targeting more than 1,300 openings per year in the medium-term across Poland and Romania. On like-for-like, we anticipate mid to high single digit growth for the full year 2026, with normal variability between quarters, and the same range in the medium terms. On margins, our expectation are unchanged. We expect stable adjusted EBITDA margin development at the top end of the 12%, 13% range in the near term and in the medium term. And on the bottom line, we continue to expect a gradual improvement in adjusted net income margin towards our medium term target of around 4.5%, with a stable near-term outlook following the step-up delivered last year. And now I will pass on to Tomasz.

Tomasz Suchański:

Thank you, Marta. To sum up, the past quarter demonstrates the strength of our business and give us confidence as we look ahead to the coming months. And with this, we end our presentation and we are ready to take your questions.

Moderator:

If you wish to ask a question, we ask that you please use the raised hand function at the bottom of your Zoom screen. Or if you've dialed in, please press star nine. Our first question will come from Michał Potyra from UBS. Please unmute your line and ask your question.

Michał Potyra:

Hi, good morning. Congrats on the strong results, and thank you for the opportunity to ask questions. I have three questions, please. So the first one, maybe you could provide more colors. What were the main factors behind the gross margin improvement this quarter? The second question is, again, I know you commented, but perhaps you can provide a little bit more detail on the increase in inventory per store this quarter, and should we expect that to reverse in the following quarters? And then perhaps the last question is on the New Growth Engines. The losses have increased according to the segment reporting, so I'm just wondering if you could provide some commentary on what level of peak losses should we expect in this segment, and when does the management anticipate a shift towards a positive momentum in that segment? Actually, any color on Romania, like forward EBITDA on the store level would be highly appreciated at this stage. Thank you.

Marta Wrochna-Lastowska:

Thank you, Michał. So, I will start with the gross margin. As I commented during the presentation, the main drivers of the margin increase in the first quarter were efficiency gains. So, we have seen better efficiency in terms of logistics, our process improvements, as well as energy. And it is also important that there was also some savings, some phasing between the quarters in terms of costs. And given that, I would like to reaffirm our guidance, in terms of the profitability for the whole year. So, we expect that the EBITDA margin for the whole year will be stable in line on the top end of 12, 13% range, in line what we have seen last year. In terms of inventory, there may be movements in the inventory at our stores between quarters. And it may happen, especially before holiday or long weekends.

So, as you may expect, the franchisees needs to prepare themselves for higher sales during the holidays, and therefore they increased inventory. It is ordinary course of a business usual practice. And this will not change the trajectory of our results from the longer term. You've seen probably last year, that from the longer term perspective, the dynamics of both revenue and sales to end customers is similar. And in terms of new growth engine...

Tomasz Blicharski:

Yeah. Maybe a few words. So, obviously, we are at the relatively early stage of development in Romania. We have 200 stores. And we're still building our presence and building out the functions and the required backbone to serve the growing operations in Romania. But obviously, we're also very much focused not only in the growth, and we mentioned about the sales development, but also on building a profitable business. It is imperative for us. It's always our mindset to look at the growth in the context of building the business that is profitable. Last year, as we have shared, the more mature stores have reached and crossed the store positive contribution. We see the positive momentum in other stores as well.

Having said that, to get to full profitability on a consolidated basis, including the headquarters, marketing, et cetera, it will take some time for us as we have mentioned in the past. Now, that doesn't mean that the

losses will continue to materially grow. And so, that's I think important to mention, because overall, I think we are triangulating towards more stores, higher proportion of mature or more mature stores in the mix of the stores that we operate them and gradual buildup of the backbone. So, from that perspective, I think you can draw some conclusions as to the trajectory. At the same time, in the NGO, we also have digital businesses that grow as well.

And there are different characteristics in these businesses. But overall, this format, as we have pointed out earlier, this part of the segment is a profitable segment and will continue to grow in terms of profitability. So, there're a little bit of a complicated tendencies there, but we do not expect this to be a material burden to our results. And therefore, we continue to maintain our mid-term forecast as to the overall profitability of the group on EBITDA level, in terms of margin. Thank you.

Moderator:

Our next question will come from Elena Jouronova with JPMorgan. Please unmute your line and ask your question.

Elena Jouronova:

Hello. Thank you for the opportunity to ask a few questions. I have a few, if I may, please. So, let's start with like for likes and pricing. We understand the weather effects and everything else, but you would've had some positive contribution to your like for like from the increasing share of the QMS category. Can you comment about what could've been the positive impact on like for like or what your like for like would've been without the effect of increasing share of QMS category?

Tomasz Blicharski:

Yeah. I think the QMS continues to be a very strong growth driver for us. I mentioned that it was the fastest growing category overall in Q1. And obviously, difficult to get into more details, given our reporting. But we can say that in almost all the quarters that we have seen, if not all the quarters in the last few periods, what I said now for Q1 was also the case. It doesn't mean that the QMS is a complete product, so to say, i.e., that the growth is finalized there. No. We still continue to improve our offering, both in terms of the hot food as we have discussed in many other quarters, but also in terms of the ready to heat type of foods that I described now. And what we focus now is that this higher growth rate for this category will continue to be the case in the coming periods as well.

Elena Jouronova:

Thank you. I think what I'm trying to allude to is that you probably have pretty negative like for likes in some other categories. And do you think that your pricing in general is adequate? Because if I try to square that with a very strong improvement in your gross margin, it's if we take your franchisee gross margin and your own gross margin, it's like 31.8, meaning 120 basis points increase year on year. Do you think that

you're probably not investing enough in pricing in the stores or your price checks suggests that it's all good?

Tomasz Blicharski:

No. I mean, we don't see a challenge with respect to the pricing positioning that we have and our strategy with respect to the pricing. Obviously, the convenience channel is very much differentiated versus all other channels, including the discounters. There's only a 30% of overlap of SKUs between us and the others. And we're very sophisticated in the way we price. We're using different methodologies, including differentiated pricing, depending on the kind of stores, different promo mechanisms. And all of that suggests that we're on a good track. Bear in mind that this quarter, when there's minus 15 or minus 20 Celsius degrees on the streets, there is no price that would bring people on the street. I mean, this is the nature of the convenience business. A big part of the sales is related to impulse, to people being on the street, and walking, and being hungry or thirsty and popping in for small purchases.

And it's not completely unplanned. This part of shopping missions is, I would say, impossible to come back if the weather is very unfavorable, as we have had during this Q1. And that is really a big difference compared to the big basket shopping, where with the plant shopping, as we many times discuss, it's a different business.

Elena Jouronova:

No, that's fair. Thank you for clarifying. And then again on your like for likes, so you've shown us the bars for January, February, March without specifying the numbers. But at least qualitatively, is April trending similar to March so far on the like for like?

Tomasz Blicharski:

Look, I think when we see when the weather is normalized compared to the last year, we see similar trends to what we have seen in March. And that gives us the confidence for the full year.

Elena Jouronova:

Yes. Good. Thank you. And I wanted to clarify the question that Michał was asking before. So, we have seen that the contribution of your other revenue to total revenue, which is basically the inventory you have at the franchisee level, which hasn't been sold to the end customers yet. It increased significantly to 6% of total revenue. And we understand that this has been related to Easter. But is it logical to assume that then in Q2, we're going to see a significant reversal so that your revenue growth is likely to be below the sales to end customers?

Marta Wrochna-Lastowska:

Yeah. Elena, I think that it is very hard to predict the revenue, the value of stocks which is held by the franchisee at stores. But when you look from the longer term perspective, usually what we see given our expansion is that we have similar trends in terms of revenue and sales to end customers. And there is also inflation which impacts especially the revenue. So, we do not expect that there will be a significant difference, but there may be some difference. And given that we had higher growth in revenue this time, we may have a slightly lower growth next quarter. But as I mentioned already, we are confident in terms of delivering the guidance, in terms of both sales and especially BDA, which is important from this perspective.

Elena Jouronova:

Yes. Thank you, Marta. And just two more questions to you, please. A reverse factoring as percent of sales to end customers, have you changed anything there? Because I think the cost of reverse factoring was unusually low, so maybe you started using that less.

Marta Wrochna-Lastowska:

I think, Elena, that you may assume

Marta Wrochna-Lastowska:

That we have increased sales, so we increase the lines of reverse factoring as well. And it was in line with the past trends. You may see lower cost because we have the margin related to reverse factoring, which is based on WIBOR, so the polish reference rate. And we continue to work on the margin and try to make it as low as possible so yes. And those may be the reasons why the cost of reverse factories were lower this year. But the strategy is the same.

Elena Jouronova:

All right. And then with regards to cost inflation you're seeing in Q2, can you please comment, so far have you been seeing increased transportation costs or anything coming from your suppliers about price increases? Obviously considering the geopolitical situation elsewhere.

Marta Wrochna-Lastowska:

Yes. Elena, for us, the most important, taking into account our cost structure, energy is the most important. And as I mentioned during the last call is the majority of the energy cost is hedged. In terms of other cost lines, we do not see very significant impact which may have impact on our profitability. And as we have seen historically, given the nature of the business, nature of the retail business in general, we are

usually able to pass through the price and the cost increase into the final customers. And when we see that, we will continue to do that as we have done historically.

Tomasz Blicharski:

Yes. Just maybe to add, the government introduced in the last few weeks, some control over the prices of the fuel in Poland. So the impact on overall economy is kind of buffered by the government actions compared to other countries.

Marta Wrochna-Lastowska:

Yes.

Elena Jouronova:

Thank you so much.

Moderator:

Our next question comes from Jakub Krawczyk with ODDO BHF. Please unmute your line and ask a question.

Jakub Krawczyk:

Yes. Hi, hopefully can you confirm if you can hear me?

Marta Wrochna-Lastowska:

Yes. Yes, we can hear you well.

Jakub Krawczyk:

So congrats on the figures. Quite a nice print. I think you partially addressed my first question, but can you please give some color on the promotions and how does the very competitive environment in Poland affect your corner of a market? I know you're trying to make the point or you're making a point, but of course you only share 30% of SKUs with other formats. However, on this 30% that you have this increased promotions, I presume they're perhaps related to the Easter season. I'm just wondering about whether the perhaps price elasticity of the consumer is changing and maybe the premium you're charging somehow getting a diminished or the willingness to pay a premium, perhaps getting diminished by some very active other formats.

Tomasz Blicharski:

Yes. I mean, we kind of started answering your question earlier on, but maybe to get a bit deeper. We have a very sophisticated quote unquote machinery that we use and know how to price because obviously the situation with respect to the Polish market hasn't really changed in the last quarter. I mean, it's been in a bigger format. So the big box format has been a competitive market for the last 28 years since the company started to exist. And obviously the differentiation game that we mentioned has been developed in the context of this market situation, right? So we have different prices, we have different promotion types, we have many different mechanisms that we use to effectively be able to attract and retain the customers. One thing that is that the way we do it is actually to, in some products which are kind of important for the customers, we maintain some distance to the price market leaders, but that's one of the tools.

We have not seen material change of the customer behavior in the last quarter or few quarters, certainly not recently, but it doesn't mean that we don't develop new kind of ways of promoting both in store, but increasingly so using the app and different promotional mechanisms within the app which are targeting the customer segments or even the individual micro segments of the customers. So we still kind of spend a lot of our effort and energy to do that.

Jakub Krawczyk:

Okay. Thank you for this color. That's very helpful indeed. Okay. Just a second one quick. Do you see any effect in Romania of the weaker, the macro sort of political challenges and maybe the slightly less confident consumer? Are you seeing this? Of course, it's very early days to talk about any like for likes, but are you seeing anything maybe on the newer stores, maybe very ramping up slower than the earlier vintage, earlier expansion initiatives?

Tomasz Blicharski:

I mean, even though we're... I think the fastest growing retailer in Romania now, especially with respect to the expansion. You know we have relatively small compared to Poland, business there, and also we're relatively new. So most of our stores are, or if not all of our stores are still kind of on a ramp up phase. Even those that were opened a year and a half ago or close to two years ago when we operate the first stores, they're still growing considerably ahead of what would the mature kind of growth be for this kind of stores. This is because we continue to significantly improve the commercial model there in Romania, improve the assortment, improve our pricing tactics, as well as we add services and many other factors, right? So we see strong momentum. Of course, it's difficult to talk about the like for likes, but what I could tell you that for these stores which are open more than a year ago, so the oldest one, the like for like is very strong and strongly double-digit.

So in a word, we don't see it, but of course it's early days for our business in Romania. So it's more difficult to kind of grasp full kind of impact of what's going on there because the growth path is very steep.

Jakub Krawczyk:

Okay. It's clear. Thank you very much. That's it for me. Thank you.

Tomasz Blicharski:

Thanks.

Moderator:

There are no further questions. This concludes today's call. Thank you everyone for joining. You may now disconnect.