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PRESENTATION

Operator

Good morning. My name is Julie, and I will be your conference operator today. (spoken in foreign language) I will now introduce Mr. Mathieu Brunet , Vice President, Investor Relations, and Treasury at (spoken in foreign language)

Mathieu Brunet - *Alimentation Couche-Tard Inc. - Vice President, Investor Relations and Treasury*

Good morning. English will follow as always. (spoken in foreign language) Good morning, I would like to welcome everyone to this web conference presenting Alimentation Couche financial results for the fourth quarter and fiscal year 2024. All lines will be kept on mute to prevent any background noise. After the presentation, we will answer questions from analysts asked live during the conference.

We would like to remind everyone that this webcast presentation will be available on our website for a 90-day period. Also, please remember that some of the issues discussed during this webcast may be forward-looking statements, which are provided by the corporation with its usual caveats. These caveats or risks and uncertainties are outlined in our financial reporting. Therefore, our future results could differ from the information discussed today.

Our financial results will be presented by Mr. Brian Hannasch, President and Chief Executive Officer, Mr. Filipe Da Silva, Chief Financial Officer, and Mr. Alex Miller, Chief Operating Officer, and CEO Elect. Brian, you may begin your conference.

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

Thank you, Matthew, and good morning, everyone, and thank you for joining us for our presentation of our fourth quarter results.

Before I get started, I wanted to say a few brief remarks about my press release we issued earlier this morning announcing my decision to retire as CoStar's President and CEO, and the appointment of Alex Miller as our next President and CEO, effective September 6.

I'll remain with the organization as a special adviser for the next couple of years with the focus on M&A. As I come to the end of my 10 year as CoStar's President and CEO and 25 year as a part of this management team, I must say it's been a true honor of a lifetime to lead this amazing company. I'm so proud of the value that we create together as well as the commitment and passion of our team members to serving our customers.

I know CoStar will be in strong hands with Alex has been one of my closest business partners at CoStar for the last 13 years, and we work together in the industry for nearly 30 years. Alex knows the business inside and out. He deeply cares about our culture and you'll have a great leadership team supporting him.

Also want to thank of Layne Beshar, our founders, our Board of Directors, customers, team members, shareholders, and all of you for your continued support and trust in me to lead this great business. For that and much more, you have my last and gratitude. While time to answer your questions later in the call as well in the coming weeks.

Now let me get back to our Q4 results. No doubt this was another challenging quarter with persistent inflation and continued pressure on consumers who are carefully watching their spending. However, we believe this is transitory, and we remain very optimistic about our business. Even with recent softness in same-store sales, overall we've been steadily growing globally over the last two years, particularly in the US which saw 2.8% growth on a two year stack for the quarter.

On the fuel side of our business, we continue to strengthen our leadership position across most of our markets and our margins remain healthy. We're also pleased that our focus consistently remained on providing everyday value and ease for our customers and leveraging the competitive advantages of our global scale and diversified business to take market share and drive long-term growth.

Turning to convenience. Compared to the same quarter last year, same-store merchandise revenues decreased by 0.5% in the US, 2% in Europe and other regions and by 3.4% in Canada. As I mentioned earlier, these results were impacted by near term headwinds in the economy and continued inflation are being compared with an exceptionally strong quarter last year.

It's also worth noting that Europe has had a positive performance for the quarter with a plus 0.7% same-store growth. However, the other overall Europe and other region results were impacted by weak results in our Hong Kong market driven by large cigarette tax increased and weak tourism for Mainland China.

To help our customers look for value, we continue to focus on improving expanding our loyalty programs, both in the US and in Europe. In the US, inner circle registrations and enrollments continue to grow. And we ended the year with over 6.3 million customers fully enrolled in the program.

Across 30 states with the membership program, we're seeing visit frequency and spend per member growing consistently month over month. Florida, which is our first business unit on the program, finished its inaugural year with about 20% of customer transactions linked to our inner circle program.

In Europe, the updated extra loyalty program ended the year with strong key metrics across the board also. Nearly half of all fuel volume is coming through extra and merchandise penetration is also seeing year-over-year growth with close to 30% of our merchandise sales attributed to extra members. The program was just launched in Ireland, and we're exploring ways to expand it into our new European countries.

All programs enable us to offer personalized value to our most important customers. Shifting to food, Fresh Food Fast is now in nearly 58 hundred locations globally. Operations teams continue to focus on improving profitability and reducing spoilage, including introduction of new production planning tool that improves the accuracy of forecasting, thereby allowing our store teams to better identify what products are needed and at what times of the day.

We're seeing strong sales and satisfaction with our freshly prepared cookie program, and we've introduced some great LTOs, including our Kong breakfast sandwich with triple meat and double cheese this quarter. We've also completed the rollout of our global digital food safety program, which earned a foodservice innovator of the Year Industry Award recently. \

As we strive to be the number third stop across the network, we launched exciting summer campaigns to drive traffic and provide value for our customers. In the US at participating locations were offering Polar Pop and foster at any size for just $0.79 and for our inner circle members, the same offer starts at $0.69.

We've also added exclusive gabriel flavors called Lightning glass, which could contribute to overall growth in sports drinks. In Europe, packaged beverage sales are also performing well and we're growing market share. While we continue to see pressure on cigarette steps globally, in US we're starting to see some positive results with our tobacco customers.

This is partly due to the initiatives we've had underway with our supply partners, including brand-focused contest and personalization programs for our age verified customers. In other nicotine products, we continue to see strong growth across the network with exclusive vaping opportunities come to Europe by the end of the summer. For both, we believe we are outperforming the overall market.

Moving to our fuel business, same-store road transportation fuel volumes decreased 1.6% in the US, 1.7% in Europe and 3.5% in Canada. As I mentioned earlier, our fuel business, we have a strong leadership position across most of our markets and our margins remain healthy. We also continue to build value for our customers and businesses through the optimization of our supply chain globally.

In this quarter, low market volatility persisted, which is not optimal for our results, but our supply trading and logistics teams are working to find new opportunities to improve supply optionality increased arbitrage capture.

Turning to our B2B business in Europe, card volumes remain very robust with across both fleet and truck segments with small fleet remaining the main growth driver. In the US, B2B share continues to grow double digit as we expanded our sales teams across our business units. Our Circle K pro proprietary card platform also realized year-over-year growth with both volume and transactions, bringing a new fueling B2B customers and outperforming our benchmark competitors.

Our EV fast-charging network now consists of more than 2,600 charge points, including about 55 charging points for heavy trucks. In North America, our EV rollout plan is progressing toward our deployment target of 200 locations. Network growth, we're making good progress in the integration of our four new European countries. Earlier this month, I visited all four countries and the team members. I was very impressed with their engagement and commitment to growing our business.

It was also exciting to see and visit our newly rebranded Circle K stores. We now have 11, which I would call technical pilots in the four countries where we're exploring new ways to grow sales under the new brand. Inorganic growth, we continue to ramp up development and currently have a record number of projects under construction, primarily in the US, including a focus on rural and high-speed DC locations. And finally, we're seeing more M&A opportunities than we have for quite some time. And so we're cautiously optimistic, we're going to find some new growth opportunities in the coming quarters.

Before I conclude, I want to mention the work we're also doing to improve operational excellence, which is the foundation for everything we do. We continue to implement enhancements and program to simplify administrative tasks required by our store teams and managers. We're also truly humbled and pleased this quarter to have been recognized as gallop exceptional workplace for the 3 year in a row. We are one of the very few businesses of our size to receive this honor. This is truly a testament to our highly engaged customer focus teams. We're working hard to make it a little bit easier for our customers during these challenging times.

Looking ahead, while we ride out these near-term economic headwinds, we're seeing our first quarter of the new fiscal year that's performance in same-store sales has sequentially improved in the last quarter. This particularly due to our investment in bringing value to our customers. In addition, while rate road transportation fuel volumes remain a bit soft, we're also seeing fuel margins improved versus prior quarters. And with that, I'll pause and turn it over to Filipe. Filipe ?

Filipe da Silva Noguiera - *Alimentation Couche-Tard Inc - Chief Financial Officer, Executive Vice President*

Thank you Ryan. Ladies and gentlemen, good morning. (spoken in foreign language) 1.1% of normalized reduction in operating expenses compared to last year. Even accounting for fiscal 2023 additional week of operating expenses remained below the weighted average inflation observed in our network. These savings were achieved through targeting enhancement in labor efficiency and stringent cost management, which as a security protected us from the impact of inflation, rising minimum wages and costs associated with our strategic investments.

Furthermore, we have expanded the scope of our centralized back-office operations to encompass additional assumptions. This exemption is strategically state law to streamline our cost structure, leverage our scale and improve service quality. Looking ahead, our focus would be on refining our operating model to eliminate redundant efforts, unlock additional value and expedite processes for better visualization of our global scale.

It is also important to highlight that part of the savings generated are used to fund the enhancement of our digital capabilities, both at store and back office levels. Following the close of the fiscal year, we renewed our share repurchase program now authorized to buy back more than $78.1 million common shares representing 10% of our public growth is tactical actions highlights our firm commitment to returning capital to our shareholders.

I will now go over some key figures for the quarter. For more details, please refer to our MD&A available on our website. For the first quarter of fiscal 2024, net earnings attributable to shareholders of the corporation where [$453 million] or $0.47 per share on a diluted basis. Excluding certain items described in more detail in our MD&A, adjusted net earnings attributable to shareholders of the corporation were approximately $461 billion compared with $698 million for the fourth quarter of fiscal 2023.

Adjusted diluted net earnings per share were $0.48, representing a decrease of 32.4% from $0.71 from the corresponding quarter of last year. Excluding the impact of last year additional week, the decrease is at bottom approximately in the low 20s. For fiscal 2024, net earnings attributable to shareholders of the corporation stood at $2.7 billion, the decrease of $361.2 million or 11.7% compared with fiscal 2023.

Diluted net earnings per share stood at $2.82 compared with $3.06 for the previous fiscal year. Adjusted net earnings attributable to shareholders of the corporation stood at $2.7 billion a decrease of $436 million or 13.8% compared with fiscal 2023. Adjusted diluted net earnings per share were $2.81 compared with $3.12 for fiscal 2023, a decrease of 9.9%.

During the fourth quarter, merchandise and service revenues decreased by approximately $71.2 million or 1.7%, primarily attributable to one less week in the fourth quarter of fiscal 2024 compared with the fourth quarter of fiscal 2023 and softness in [traffic], partly offset by the contribution from acquisition, which amounted to approximately $302 million and the contribution from net growth in stock out. Excluding the impact of last year's additional week. the merchandise and service revenue would have been positive in the mid-single digits.

During fiscal 2024, excluding the net impact from foreign currency translation merchandise and service revenues increased by approximately $255 million or 1.5%. Excluding the net impact from foreign currency translation, merchandise and service gross profit decreased by approximately $20 million or 1.4%. This is primarily attributable to one less week in the fourth quarter of fiscal 2024 compared with the fourth quarter of fiscal 2023 and softness in traffic, while the partly offset by the contribution from acquisition, which amounted to approximately $1million or $6 million. Our gross margin remained stable in the United States at 54.1%, increased by 0.8% in Canada to 54.9%, mainly due to a change in product mix .

Our merchandise and service gross margin decreased by 1.7% in Europe and other regions to 59.2%, mainly due to the integration of certain retail assets from total energy, which have a different product mix than our legacy European operations excluding this impact, our gross margin in Europe and operation will be stable.

For fiscal 2024, excluding the net impact from foreign currency translation, merchandise and service gross profit increased by approximately $168 million or 2.8%. Our gross margin in the United States increased 5.2% to 54% by point by 0.4% in Europe and other regions to 59.2% and by 0.9% in Canada to 54%.

Moving on to fuel side of our business in the fourth quarter of fiscal 2024, our road transportation fuel gross margin was $58.79 or per gallon in the United States. The decrease of 6.65 per gallon in Europe and other region, it was $0.083 per liter, a decrease of $0.023 per liter, while in Canada it was CAD15.68 per liter, an increase of CAD1.65 per liter.

In the United States road transportation fuel gross margins were compressed for most of the quarter primarily due to the reduced with the projects, etc., road transportation, fuel prices. However, volatility picked up towards the end of the quarter and that trend continued into the new fiscal year. Europe and other regions, our road transportation fuel gross margin was impacted by a change in our wholesale business model with an impact from reduced at least much in it, but no impact on overall gross profit. If rather than the negative impact of approximately $0.06 per liter on road transportation to merchant.

During fiscal 2024, our road transportation fuel gross margin group fuel gross profit sorry, was $5.8 billion, a decrease of $189.7 million compared with fiscal 2023. Our road transportation fuel gross margin was $45.28 per gallon in the United States, $0.873 per liter in Europe and other regions and CAD0.1365 per liter in Canada.

Now looking at SG&A for the fourth quarter of fiscal 2024 normalized operating expenses decreased by 7.1% year-over-year. This is mainly driven by the impact of one less week in the fourth quarter of fiscal 2024 compared with the fourth quarter of fiscal 2023, as well as by the continued strategic efforts to control expenses, including labor efficiency in our stores. While fiscal 2024 normalized operating expenses decreased by 1.1% compared with the previous fiscal year.

Excluding specific items described in more detail in our MD&A, the adjusted EBITDA for the fourth quarter of fiscal 2024 decreased by $180.3 million at 13.6% compared to the corresponding quarter of fiscal 2023. Excluding the impact of one less week, adjusted EBITDA decreased by a mid-single digit number, mainly due to the lower road transportation fuel gross profit as well as softness in traffic as low income customer remain impacted by challenging economic conditions while being partly offset by the contribution from acquisition, which amounted to approximately $98 million and strong control in operating expenses.

During fiscal 2024, on the same basis, the adjusted EBITDA decreased by [$1161.2] million or 2.8% compared with fiscal year 2023, mainly attributable to similar factors and floors of the fourth quarter.

From a tax perspective, the income tax rate for the fourth quarter of fiscal 2024 was 10.2% compared with 19.2% for the corresponding period of fiscal 2023. Income tax rate includes a net tax benefit derived from an internal reorganization, which had a favorable impact of 6.5% on the income tax rate. The remaining decrease of 2.5% is mainly stemming from the impact of a different mix in our earnings across the various jurisdictions in which we operate.

As of April 28, 2024, we recorded a return on equity at 21.2%, and our return on capital employed to reductions in group business. During the fiscal year, our leverage ratio increased to 2.21, mainly due to the acquisition of certain European with the asset from the financials. We also had strong balance sheet liquidity with $1.3 billion in cash and an additional $2.9 billion available through our main revolving (technical difficulty)

Turning to the year end, the Board of Directors declared yesterday a quarterly dividend of $0.175 Canadian per share for the fourth quarter of fiscal 2024 to shareholders of record as of July 5, 2024, and a complete payment effective July 19, 2024.

With that, I thank you all for your attention. I will turn the call over to our incoming President and CEO, Alex Miller.

First, let me say that we really miss Brian as I truly enjoyed our time working together. And then I've learned a great deal from him about our organization. However, I'm thrilled that Alex has accepted the position. We have collaborated very closely over the last year, and I'm deeply impressed by his knowledge of our business operation and people. Have been the best choice to be sharp and Exito and I'm really looking forward to working together in the years ahead.

Alex, I hand it over to you.

Alex Miller - *Alimentation Couche-Tard Inc - Chief Operating Officer*

Thank you for those kind words, Filipe, and thank you Brian for your support and friendship over the decades. I'm extremely fortunate to have worked alongside both of you and learn from the very best in the business. I'm also humbled and honored by this appointment, and I want to thank [Elaine Shar] our founders and the entire Board of Directors for their confidence.

Working with Costar for the last 13 years has been a highlight of my career. I firmly believe that we are only at the beginning of our journey to become the world's preferred destination for convenience and mobility. And I have full faith that with our engage people, culture, strong leadership team and long term strategic plan we will continue on our incredible growth trajectory.

I look forward to meeting and working with all of you in the months and years ahead. But for now, I just want to say thank you for your support and on that note, let's turn it over to the operator to answer analyst questions.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions)

Irene Nattel, RBC.

Irene Ora Nattel - *RBC Capital Markets - Analyst*

Thanks, and good morning everyone, and congratulations Alex and Brian. Happy to hear that you're going to be sticking around for a little while. If we turn back to the quarter, could you spend a little time please walking us through what you're seeing in terms of consumer behavior, which we know across the board this week? And what specific initiatives seem to be gaining the best traction in what you have planned for at '25.

Thank you.

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

Thanks Irene for the kind words. Starting the fuel side, we're actually seeing positive traffic on the forecourts globally, but we're seeing lower quantity per visit. So that clearly is a signal that people are watching their spend inside the box and we've seen strong private label, but there's also some trade downs to from premium brands to lower tier brands, whether that be in the beer category or others.

Cigarettes has been an issue for the channel. You see Altria and [BAT.'s] numbers, you have the kind of in that high single digit unit loss growth rates. We performed significantly better than that. And our trends continue to improve and our gap continues to widen there.

But certainly still think that's a big reflection on the state of the consumer that's more than just price There's certainly people watching what they spend on the right side of the nicotine. Other nicotine category continues to gain strength and actually in many of our regions now generates more gross profit than combustible cigarettes.

And then we finish with beverages. That's the number one reason people come to our stores. We continue to gain traction, particularly as we look at May and June, we've got some great values, great exclusive out there. So we think we're really providing some very strong value between the Polar Pop and some of the brand work that we've done with partners like Pepsi. So, we feel good about the summer months, but there's no doubt that the weakness in consumer behavior persists.

Irene Ora Nattel - *RBC Capital Markets - Analyst*

Thanks, Brian. And then just coming back to the issue of follow-up on cigarettes. Obviously, it's another key traffic driver. So if we assume that it's reasonable to assume that this behavior continues, what gives you the confidence you can continue to, let's say, offset those trips with other categories inside the store.

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

Just in terms of scale beverages, one that we think we can leverage that, Scott, almost three times the visits of tobacco. So we're fishing where the fish are, where we've got the ability to really impact big numbers. So focus on fuel with inner circle or focus on beverages are a really, really important offsetting that. But we're also not giving up on that nicotine customer. Our goal is to win with them, focusing on our assortment, our pricing, partnering with companies like Altria on digital relationships with their customers.

We now just with Altria, the United States have over 1.2 million digital transactions weekly with them. So we're providing value that really only some of the chains can that they've got electric on digital capabilities, including loyalty platforms. So we're committed on winning in the big areas and committing and taking share in those areas.

Irene Ora Nattel - *RBC Capital Markets - Analyst*

That's really helpful. Thank you.

Operator

Michael Van Aelst, TD.

Michael Van Aelst - *TD Securities Equity Research - Analyst*

Hi, thank you. At the time of the total acquisition you guys said that there was about EUR500 million of EBITDA. In this quarter, you had USD98 million of EBITDA from acquisitions, which also included Matco, I believe. So I'm curious, it seems like a decent size drop in the run rate of contribution from acquisitions versus what the original business case was.

So I'm wondering is this strictly fuel margins and there's something else happening, there greater seasonality. What is it that explains the gap between where you thought that profit was going to be and where it seems to be running right now.

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

Thanks for the question, Michael. Truly one word is Germany. Is a very large market for us. We picked up 1,200 locations a week. There's no secret that the economy has been soft there, and that's created really a pretty sloppy fuel market. As we've seen margins in the past quarter in Germany that were really multi multiyear lows and far below what our normal European business looks like.

We've seen some rebound in the most recent weeks to that and the rest of our countries in Europe, they performed very similar to our legacy businesses in Europe. So I fully believe that should say a transitory issue with the German fuel margins specifically.

Michael Van Aelst - *TD Securities Equity Research - Analyst*

And are you seeing any kind of green shoots in Germany ? I might have missed it if you said that.

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

And Mr. Michael, tell me one more time.

Michael Van Aelst - *TD Securities Equity Research - Analyst*

Sorry, are you seeing any green shoots or any normalization in the fuel margins in Germany? Or is it more of a competitive?

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

No. As I mentioned, recent weeks have been better. It's really it's a complicated issue. There's really kind of to supply markets and into Germany and then imports into and part of that market being kind of central on the Rhine has just been oversupplied very, very weak, but it's improving.

Michael Van Aelst - *TD Securities Equity Research - Analyst*

Okay. And so that's the main problem. There's nothing yet that was up against.

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

And right now, we feel good about the people, we feel good about the journey and synergies weren't, but we're five months into this. So we're starting to ramp synergies. But the in the coming quarters, you should see synergy capture start to it could make an impact as well.

Michael Van Aelst - *TD Securities Equity Research - Analyst*

All right. Thank you. I'll get back in the queue and I'll echo Irene's. Congratulations and best of luck in the future there.

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

Thank you.

Operator

Mark Petrie, CIBC.

Mark Robert Petrie - *CIBC Capital Markets - Analyst*

Thanks, and good morning and definitely congratulations to both of you, Brian and Alex, and wish you all the best Brian.

Could I just follow up quickly on the tobacco conversation, and I'm just wondering if you could help us understand the trajectory on that business and maybe you could just summarize the impact it had on your comp in Q3 and then the impact it had on your comp in Q4. And then just in general, if you're expecting it to continue to be a drag or if you think you can neutralize it with the efforts with your manufacturing partners? And then also with the continued growth in other nicotine?

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

Yes, I'll divide the world into three chunks start with Canada. It's been a struggle, multiyear struggle. Our focus is clearly on food and beverages. The tobacco issue in Canada is a lot about illicit as prices have gone up, consumers have gotten squeezed. The percentage of people buying in the illicit channels continue to rise. And that's a big headwind to fight.

And so that's going to continue to be a bit of a drag on us in Canada. In Europe, and we actually performed pretty well. Units are fairly flat which is kind of interesting because it's very different than the US and we continue to be optimistic about that category. We have one of our larger countries, Netherlands is banning tobacco from the grocery channel, closed the majority of the volume. So we think we're very well positioned as that expires July 1 to capture significant share in that category. So I feel good about our tobacco business nicotine business in Europe, and we continue to roll out new products and new innovations in Europe and in the alternative space.

US you see the results from the Goldman report or [IBAT] and others and Altria published, we were running three some more of those numbers. If you go back to Q2, Q3, Q4. in Q4 if you would take tobacco out, we would have been a positive same-store sales. If you look at recent end of the quarter end our first full period in Q1, our unit decline is far less than half of what the industry decline is.

So we're widening the gap to the industry. So we expect that headwind to moderate for us. I'm not saying we'll fully have it negated in the coming quarter, but between the loyalty and digital activities that we have out there and really surgical investment in price. We feel good that we're going to be able to continue to take share in that category and a very smart to smart fashion. And we know it's a valuable customer and a great basket.

Mark Robert Petrie - *CIBC Capital Markets - Analyst*

That's great color. Appreciate all the comments and all the best.

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

Yes. Thank you.

Operator

Chris Li, Desjardins.

Christopher Li - *Desjardins Securities Inc. - Analyst*

Well, good morning, everyone. I'll also like to add my congratulations to Alex and Brian best wishes to your family. As you start a new chapter of your life in a few months.

Brian, maybe I'll start with your read. Maybe you're retaining the timing maybe was a little bit earlier than maybe what some people had expected especially since you just started your five-year plan, not so long ago. So can you maybe share with us you sort of well why you and the Board believe now is the right time for the succession?

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

It's a great question, Chris. I've got a lot of miles on me (multiple speakers) So not a magic, but always kind of said, somewhere between 58 and 60. It just seemed a little bit elegant, 35 years in the industry, 25 with Couche-Tard 10 with ACT and then candidly looking at Alex, we've been working on this transition for 2019, so five years, and he's ready the time's right? He's got a good team. So it just seems like the right moment. The company is in a great place and its best days are ahead of it. So feels like the right time to explore something else.

Christopher Li - *Desjardins Securities Inc. - Analyst*

Okay. Now that makes sense. And then you also mentioned that you're going to spend more time looking at M&A. Can you share with us what does the landscape look like right now in terms of the opportunities. Are you able to share with us the size of those opportunities? Are there a few large ones that are potentially on the radar screen over there coming quarters?

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

Again, we can't ever guarantee landing anything in our first and foremost commitment to our shareholders is to be disciplined. That said, we went through four or five years pre total with a pretty quiet period as we had large gaps in what we believe were appropriate values and what sellers' expectations were.

Recently I would say in the last couple of months we've seen quite a few deals come across our desk, our mix of both Europe and North America and a mix of size. Some in approaching the total size and some that are just nice tuck-ins for us. And so again, we'll remain disciplined. We'll commit to that. But to we'd like to think we can land a few opportunities over the coming quarters.

Christopher Li - *Desjardins Securities Inc. - Analyst*

Thanks Brian. All the best.

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

Thanks, Chris.

Operator

Tamy Chen, BMO Capital Markets.

Unidentified Participant

Hello. This is [Riyad] for Tamy Chen. Thank you for the question. My question was when you see that same-store sales so far in fiscal Q1 is better sequentially. You mean this for all the regions, is that only for merch and wise consumers are seeing an improving or is it more that your own initiatives now are becoming more material like, for example, your private label or your loyalty program. Thank you.

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

You broke up a little bit rehab, but I'll give it a shot. In terms of positive trends, I would say it's a largely US focus. When I say that I guess I would also say that we'd like to believe it's more of our own efforts. When I look at again, some of the Nielsen data, when I look at Altria instead of a Goldman report on tobacco. we're seeing that consumer softness persist. And we've always said that tend to be with us through the fall, we think.

But I think the initiatives we're taking around nicotine and thirst, in particular, the investing in signing up people honor our loyalty programs, which allow us to really surgically target investments in our most valuable customers will pay dividends for us, both near term and medium term. So again, I think in most of our markets, we feel we're taking share and on the merch side, for sure.

Unidentified Participant

Great. Thank you.

Operator

Martin Landry, Stifel.

Martin Landry - *Stifel Nicolaus Canada Inc. - Analyst*

Good morning. Congratulations, Brian, on your accomplishments and congratulations, Alex, on your nomination. I think the company's in great hands. I would like to touch on your cost reduction at the end of October last year. At your Investor Day, you are highlighted a plan to reduce your costs by $800 million. And that included several buckets including COGS, G&A and store ops and fuel.

So I was wondering if you could talk to us a little bit about what's been achieved so far? I know it's only been less than a year, but more importantly, what do you plan to achieve maybe next year in terms of cost reduction, that would be super helpful.

Filipe da Silva Noguiera - *Alimentation Couche-Tard Inc - Chief Financial Officer, Executive Vice President*

Hi Martin and thanks for the question. So we feel pretty good about. So in order that it is a program that we introduced last year, we were mentioning the $800 million I mentioned for the five years is tell you that today we have almost reached the half of the journey already. So the of the teams are hard at on the Namibian Java, I would say across the organizations are fairly low. So just in the quarter to provide a bit of color, we use that 3% less hours in the US.

For example. And so there is a lot of things happening in the ground to improve productivity. We have also worked a lot on the procurement side, which as both on the GFR and GNFR, GFR, for example, we run a program in US that's actually brought a very positive result on that side. And now we are rolling this central running in Canada and Europe and on the Geneva side, we are also -- we have seen already some good savings coming there and leveraging of scale on the supply, on the finance, for example.

The database market and where we are sitting up there. I'm sure you're a central team there on the GNFR, so kind of more to come as well in the next coming quarters. And I believe years on the procurement side, and we continue to look at ways of our estimated GAAP equity. So as you know, we had a partnership with CGI last year on the tech side. But we are also now working with other partners to optimize and streamline our organization in maintenance over finance streams as well. So even in HR. So there is a lot happening there and yes, we feel very confident that, yes, we will, of course, reach this under $800 million, but the objective is, of course, to be beyond that.

So we remain very optimistic on the normal target for this year two and for the next coming years to beat inflation by at least 1%, that's our internal goal in Orlando and feel confident about that . At the same time quarter to quarter, I just wanted to be also very real. They are cautious because you may see some adjustment of some investment that we are doing on the tech side on the digital front, I was mentioning that earlier. So we are also investing in digital capabilities to improve service to our customers, but also to make your life easier, to sell to our employees in a different zone. That's also something that we are working on.

Martin Landry - *Stifel Nicolaus Canada Inc. - Analyst*

Okay. And just to clarify, you said that you have the journey already, meaning you've generated already $400 million of cost savings.

Filipe da Silva Noguiera - *Alimentation Couche-Tard Inc - Chief Financial Officer, Executive Vice President*

Yes, we have already [ordering and shipping] $400 million. And the second part of that has already been to be served yet because the last the last 12 months here of bucket.

Martin Landry - *Stifel Nicolaus Canada Inc. - Analyst*

Okay, perfect. Thank you.

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

So just to add, maybe put a little pressure on the team after ongoing. But further afield, we've always had a best in class cost structures with part of the companies in which we compared. We are excited about this. We put a big number out there is costs us nothing incrementally, but really challenge how we do business. And when we execute this, we think the cost structure we'll have will really give us license to continue to do M&A and growing our business. So we think it's a key part of our foundation of our strategy .

Martin Landry - *Stifel Nicolaus Canada Inc. - Analyst*

Thank you.

Operator

Vishal Shreedhar, National Bank.

Vishal Shreedhar - *National Bank Financial, Inc. - Analyst*

Hi. Thanks for taking my questions. Regarding the tax rate, how should we think about that over the course of the next fiscal year and if anything changes that resulted in the Delta notice to this quarter, at least relative to my expectation, if any of those will persist?

Filipe da Silva Noguiera - *Alimentation Couche-Tard Inc - Chief Financial Officer, Executive Vice President*

Hi Vishal. Thanks for the question. So yes, as you have seen, we had a varying income tax rate on Q4. It's definitely a one-off or just 10% of the equity tax rate was due mainly to a factory [August] period that we have done in -- mainly in Europe.

So going forward, I think you should come back -- you should see an income tax rate coming back to work, low 20s percent. That's what we think that will be. Very minimum impact expected linked to the global minimum tax implementation. So following that would be almost neutral. So we had the, I would say lower 20%, and that's where we will be in terms of income tax rates.

Vishal Shreedhar - *National Bank Financial, Inc. - Analyst*

Okay. Thank you for that and Brian, I just wanted to wish you best as you move on to your next chapter. And Alex, I want to wish you well as well. Brian, hopefully, can you give us some color on the non-cigarette portion of your business. Specifically I know you're closing the gap versus the industry delta on cigarettes, but is the gross profit dollars in your business, including the alternative tobacco products, is that growing or is that under pressure as well as the non-traditional tobacco continues to gain in mix?

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

Yeah. So, if you look at nicotine overall, so it's combustible and alternative, gross profit dollars is absolutely up. We're making more from nicotine than we ever have in the past. Trips is an issue, though. I mean, right now, the frequency is not the same as combustibles, and so that's why we still are focused on both. We want to be leading edge on alternative nicotine, but also take share and outperform the industry on combustibles. And there's a lot of poly users out there that shop both, and we want to be their stop.

Vishal Shreedhar - *National Bank Financial, Inc. - Analyst*

Okay. So within your total nicotine category, the gross profit dollars is up notwithstanding the sharp declines in traditional cigarettes, yes ?

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

Correct, yes.

Vishal Shreedhar - *National Bank Financial, Inc. - Analyst*

Okay. Right. Thanks for that, sir.

Operator

Bonnie Herzog, Goldman Sachs.

Bonnie Lee Herzog - *Goldman Sachs Group, Inc. - Analyst*

All right. Thank you. Good morning and congratulations on your retirement, Brian and Alex, congratulations to you, too. I have a question on your OpEx with another quarter of really good expense management on your part with your OpEx was down was 7% on a normalized rate. So curious to hear how you're thinking about the trajectory of OpEx moving forward, especially in the context of inflation, hopefully easing further.

And then could you highlight some of the key initiatives you've implemented that have ultimately, I guess, contributed to better OpEx performance and really how sustainable that is going to be moving forward. I guess I'm looking to get a good read on maybe where your OpEx could trend this fiscal year? Thank you.

Filipe da Silva Noguiera - *Alimentation Couche-Tard Inc - Chief Financial Officer, Executive Vice President*

Hi Bonnie Thanks for the question. So as I mentioned earlier, we remain very confident on the guidance, we always said that for us is beating inflation by 1% on the same sort of OpEx. I would say that's where we feel comfortable to in terms of guidance. Of course, always aiming at being that. That's what we have been able to do on the last three, four quarters.

The realty here is that we are at bringing the I would say the quick wins on the Fit to Serve. So when I was mentioning earlier, a lot of things happening in store in terms of productivity and the tools that we are, I would say, putting in place there to help appropriately. I would mention 3% of our loan less our in US, but that's true as well.

In Canada in Europe, we see data that Protea, I would say, across the network. And again, we are doing a lot on the back-office. So how to reduce the administrative task from the stock point of view, but as well, how we can streamline our back-office.

So from finance to HR to maintenance, real estate, marketing, all these at Qwest customers in our call centers. And these are housed here. Activity processes that we have in the back office. We are here and know partnering before, our organization or companies that are adding that very well. The core business, leveraging that and we've upscaled naturally are actually greater, great savings. So we continue to believe that there is still a lot to do that.

Brian was mentioning that we have been a very lean company and the and cost forecast. But the reality is that when we look at the way we organize and we have not necessarily use our leverage, our scale and to leverage our expertise.

So for example, on the GNFR and we are, I would say, just at the beginning of the journey, how to standardize what we use in terms of supply in our stores in another crisis. I think here we have a huge opportunity to leverage under and that's what we are today working on. And I expect that in the next 18, 24 months, we will see a very strong result [as owners of the company]

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

I'll add one more, which is our largest investment we make is in our store people, our people in our stores. And so yes, I mentioned our gallop achievement. That's engagements leading us to lower turnover. Our turnover levels are lower than the average for the industry according to the NACS data. So what does it do for us? It improves productivity, the people in the store.

It reduces overtime and reduces training hours. So those are three levers that we continue to perform well, building culture that should continue to deliver real value for us and as you saw for this quarter, we ran our business on 3% less labor hours than same quarter prior year. And I believe we can continue that for a while.

Bonnie Lee Herzog - *Goldman Sachs Group, Inc. - Analyst*

Okay. Very helpful. Thank you.

Operator

Luke Hannan, Canaccord Genuity.

Luke Hannan - *Canaccord Genuity Corp. - Analyst*

Yeah. Thanks. Good morning. My question here is on consumer behavior, but across income cohorts. Brian, last quarter, I think you gave good color on the decline that you saw related to SNAP-related revenues. Just curious to know where that stood out for Q4. And then maybe as a quick follow-up, what you're seeing, again, across income cohorts in the quarter-to-date? And more specifically, are you seeing that low-income consumer, is there any change in behavior there, either positive or negative to note?

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

I think -- as I said earlier, I think that weakness persists. In the southern part of the US, in particular, we're approaching half of our customer base is in that $50,000 or less income level. So that's where we're seeing the pain. As you mentioned, SNAP, we're 30% off versus the same period prior year.

And that's just -- that's a clear indicator that again, there's stress out there and some of the benefits that we had from the government are no longer out there -- no longer enabling some of the spend that we had out there. So again, it persists. We think it's probably another quarter or two. But again, our focus is long-term. Our focus is on our strategy, bringing value to our customers and taking share.

Luke Hannan - *Canaccord Genuity Corp. - Analyst*

Got it. And Brian And Alex, all the best in your new roles going forward. Best of luck.

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

Thanks Luke.

Operator

John Royall , JPMorgan.

John Macalister Royall - *JPMorgan Chase & Co - Analyst*

Hi, good morning. Thanks for taking my question and congratulations to Brian and Alex. I was hoping you could just talk about your outlook for the summer travel season. What have you seen so far in June? And what are your expectations for the heavier part of the driving season in July and August. Are you seeing the pressure on the low income consumer manifesting specifically in less discretionary travel?

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

It's unclear. We just had our Memorial Day in the US and Canada had the same and miles driven, we think was very solid. So people are getting out pursuing experiences. So we feel good, barring any weather that the summer is going to be good for us. And again, we've got it. A gun is loaded with some very unique propositions for our customers. So we're hoping we can take advantage of that.

Yes, I wish I could give more color, but we'll have to watch the movies as it plays, but we're ready for a good summer.

John Macalister Royall - *JPMorgan Chase & Co - Analyst*

Okay. Thank you.

Operator

Anthony Bonadio, Wells Fargo.

Anthony Bonadio - *Wells Fargo Securities, LLC - Analyst*

Yes, good morning, guys, and congrats to you both on your respective transitions. I just wanted to take a step back on the 5-year plan. It looks like you're one now behind you. EBITDA, maybe flat to modestly down backing out the extra week. I know you guys have talked about something like a 12% CAGR over that period. I guess how are you feeling now about that growth rate? And then any change to your confidence level and how you're thinking about the trajectory of growth there?

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

Yes. I think first, I wish we were farther ahead financially. But if you look back over my 25 years, whether it's our EBITDA or whether it's our stock price, it's not a straight line. Things happen with our customers. Things happen with our business. Again, we believe in our strategy, we believe we can create differentiation. We believe that growing the Circle K brand and the associate loyalty and B2B businesses globally will be a differentiator and that we're continuing to widen the gap versus a very fragmented industry.

So I'm not panicked at all. I think we've got the foundations that we're working on are the right ones and the progress that we hope to make or we're on track. So we're again, we're not knee jerking based on a couple of soft quarters and a weak consumer. We think that's transitory and we're focused on, again winning with the customer longer term.

Operator

Bobby Griffin, Raymond James.

Alessandra Jimenez - *Raymond James & Associates, Inc. - Analyst*

Good morning. This is Alessandra Jimenez on for Bobby Griffin. I wanted to echo the prior comments. Congratulations Alex on the new role, and I wish you all the best of luck in the future Brian. I just wanted to follow up on the fresh food, fast new production planning tools. Is that fully rolled out to the entire network today? And then have you seen any initial impact to sales or margins from that tool and any sequential improvement in the prepared food category?

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

Sure. Thanks for the question . We grew food again this quarter. We're up to about 12% of our sales for food now across our network. I mean, our mix. Our goal is to get to 20. If you look at the quarter, we were up 144 bps of margin. And for the full year, we were up 330 bps. So that's pretty significant improvement, a lot more dollars to the bottom line from food in this fiscal year.

To answer on the planning tool, yes, it is rolled out and it is a core. It's at the core of us continuing to reduce spoilage. I think as we look to the future, we've got a couple of other things that we think will continue to help us grow margins. The first would be we're in our 2 year of our OneTouch remodel program will touch about 80% of our sites in the United States and Canada, and we are seeing nice growth on the back of those remodels.

Second would be we have a commissary in Minneapolis that we acquired with holiday. We've scaled that commissary. It's now provide servicing for of our business units. We have plans to add commissaries throughout our geographies, so we can service the majority of our stores through our own commissaries, and we see a nice COGS improvement and it gives us more LTOs and better assortment flexibility.

So on the operating side, we are focused on execution executing every day and on getting food to trial and sampling where we're sampling well, we see nice food gains. Thanks for the question.

Operator

Cory Tarlowe, Jefferies.

Corey Tarlowe - *Jefferies Financial Group Inc. - Analyst*

Great, thanks. I just wanted to get your perspective long term on what you see the drivers of your margins being in the US. And maybe if you could unpack what you've seen a little bit quarter to date, it sounds like you've seen some improvement. And if you could talk a little bit about anything you're seeing and the drivers of that as well,.

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

There's a couple of pieces, and we've talked about it in previous quarters. So one, just on terms of the buy side, as we've transitioned to the Circle K brand, the optionality we have to supply ourselves in conjunction with our partners with Musket.

Yes, just fantastic. We've built out a transportation fleet of over 1,000 trucks that we're able to capture both location and time arbitrage is that most of the industry can't candidly. So that differentiation when you look at Europe is reports you'll see that a lot of cores were outperforming. Opus, low significantly, and we think that's sustainable. It will cycle a bit. We've been through two quarters of really, really now relatively no volatility when volatility happens, we are able to harvest that. So that's on the cost of goods side.

In terms of just the overall market behavior, you see the loss in the channel of units and traffic that's largely impacting the individual site players. And so it's possible that this becomes an industry a little bit of haves and have-nots. And as those smaller players, less effective players, have less traffic, but their costs continue to rise like ours do that. Their unit breakeven margin continues to go up. And so we think that's new that an incremental margin requirement of single-site operator is going to continue to underpin a very strong margin in the United States and candidly, globally. Again, will that look the same every quarter.

No, but we feel that to the guidance we gave at our Investor Day, which is kind of low 40s, we still feel very good about that as a go-forward run rate.

And also, I think, before I forget, thank you for picking up our coverage this quarter.

Corey Tarlowe - *Jefferies Financial Group Inc. - Analyst*

Yes, thank you. And then I did just want to follow up. There's a buzzword that's flying around. and it's AI more recently. Just curious as to how you're leveraging that as a tool to drive more efficiency in your business. Thank you.

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

See early days, we're certainly engaged with some of our key partners to look at business cases, customer care, employee enablement. If you think about the 100, 40,000 team members out there using AI to help them get answers more quickly.

Our couple and then we make pricing decisions both on fuel and merch. Tens of thousands a day. And so we believe that that has a place in our future, helping us make more informal, more localized decisions. So we've got active projects in that space as well. But we're also, again, I think watching for big use cases that we think we can scale outside of pricing.

Anything to add Filipe?

Filipe da Silva Noguiera - *Alimentation Couche-Tard Inc - Chief Financial Officer, Executive Vice President*

(multiple speakers)

Yes, no, and the back-office as well, for example, in finance, we are accepting to have some pilots on the on using AI in some of the processes. So we have seen it's a private organization, some pilots there.

Corey Tarlowe - *Jefferies Financial Group Inc. - Analyst*

Great. Thank you very much and best of luck.

Operator

And this is all the time that we answer today's questions. I will turn the call back over to Matthew Burnett for closing remarks.

Mathieu Brunet - *Alimentation Couche-Tard Inc. - Vice President, Investor Relations and Treasury*

Thank you, Brian. And Alex, and so we bake that covers all the questions for today's call. Thank you for joining us. We wish you a great day and look forward to discussing our first quarter 2024 results in September. (spoken in foreign language)

Brian Hannasch - *Alimentation Couche-Tard Inc - President, Chief Executive Officer, Director*

Thanks, everyone. Have a great day.

Alex Miller - *Alimentation Couche-Tard Inc - Chief Operating Officer*

Thank you.

Operator

Ladies and gentlemen, this concludes today's conference call. You may now disconnect. Thank you.
