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PRESENTATION

Operator

(audio in progress) Mr. Mathieu Brunet, Vice President, Investor Relations and Treasury at Alimentation Couche-Tard. (spoken in foreign language)

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

English will follow. (spoken in foreign language)

Good morning. I would like to welcome everyone to this web conference presenting Alimentation Couche-Tard financial results for the first quarter of fiscal year 2025. (Event Instructions)

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 might 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. Alex Miller, Chief Operating Officer and incoming President and Chief Executive Officer; and Mr. Filipe De Silva, Chief Financial Officer.

Brian, you may begin your conference.

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

All right. Thank you, Matthew, and good morning, everyone, and thank you for joining us for the presentation of our first quarter results.

As most of you know, this is my last day as Couche-Tard's President and CEO. While that makes today bittersweet, I'm incredibly confident that Alex Miller -- we've chosen the strongest next leader for Couche-Tard and then our best chapter still lay in front of us. Alex will take most of today's first quarter presentation. I'll soon hand it over to him.

As I mentioned in our last call, I'll remain with Couche-Tard as a special adviser for the next couple of years with a focus on M&A. We have some exciting developments on this front in recent weeks, which Alex will go over in a minute. It's worth noting that along with the Alex has been my closest business partner during all the acquisitions, large and small, that have taken place during my CEO tenure. We share the same respectful humble approach to new businesses as well as Couche-Tard's customary financial discipline.

Together, we've walked away from many more deals when we closed. I'm confident as we work together on future growth, the leadership transition will be seamless, and we continue -- we'll continue to bring great value to the business and to our shareholders.

Now with that, I'll hand the call over to my good friend and Couche-Tard's next President and CEO, Alex Miller.

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

Thank you, Brian, and thank you for those kind words. I'm really excited to get started tomorrow. ACT has only had two CEOs before me, Alain Bouchard and Brian Hannasch. They were both immensely successful. So I know I have massive shoes to fill. I want to once again thank both Alain and Brian for their incredible support and graciousness during this transition time and all the many years that we have worked together.

As Brian just mentioned, we have seen some good progress in recent weeks on the M&A front. In mid-August, we announced a definitive agreement to acquire GetGo Café markets from supermarket retailer, Giant Eagle.

GetGo is an innovative food-first convenience store experience that operates approximately 270 convenience retail and fuel locations across Pennsylvania, Ohio, West Virginia, Maryland, and Indiana. We are really looking forward to bringing GetGo team members into the family learning more about its extremely popular made-to-order food and loyalty programs. We clearly see some fantastic reverse synergies with this acquisition, and we are looking to close the transaction in 2025, pending regulatory approval.

I also want to mention our recent public statement on August 19, confirming the friendly nonbinding proposal we sent to holdings. While we do not intend to discuss this further on this call or take questions on the topic, I do want to share a few words about our perspective. We have a deep respect for and the business they have built in Japan and around the world, including their great operating model, franchisee network and brand.

As you know, we are a company that has led disciplined growth by merging with locally led businesses across the globe. In regards to we see a strong opportunity to grow together, enhance our offerings to customers and deliver a compelling outcome for the shareholders, employees and key constituencies of both companies. We are confident in our ability to finance and complete this combination, and we look forward to engaging with constructively.

I also want to note that we are very pleased with the integration work with our four new European countries as well as with the MAPCO locations we acquired. We are learning from the highly engaged teams on how best to serve their local customers and communities.

Now let me get back to the results of the quarter. As weakness in consumer behavior persists we are keeping our focus on our long-term strategy and bringing everyday value to our customers. The number one reason customers visit our locations is to quench their thirst and our several beverage campaigns has been providing exceptional value and exciting exclusive flavors. We are also bringing personalized offers and savings to our most valuable customers through our growing loyalty membership programs.

While fuel volumes have been impacted by customers watching their spend, we continue to have healthy fuel margins. Overall, we remain confident in the advantages of our globally diversified business to successfully navigate these near-term headwinds.

Turning now to convenience. Compared to the same quarter last year, same-store revenues decreased by 1.1% in the United States by 2.1% in Europe and other regions and by 3.9% in Canada all impacted by constraints on discretionary spending due to challenging economic conditions for lower-income consumers.

It is also worth noting that Europe had positive performance during the quarter was 0.9% same-store sales growth. However, the overall Europe and other region results were again impacted by weak results in our Hong Kong market, driven by an incremental cigarette tax increase. To help our customers who are seeking value, we continue to improve and grow our loyalty membership program in the US and Europe.

In the US, Inner Circle had a 17% increase in fully enrolled customers compared to last quarter. For the business units that have been on the program at least 12 months, we are seeing over 20% of transactions coming from Inner Circle members.

We are also working closely with our B2B teams so that our fleet card customers can enjoy the perks and rewards of Inner Circle. In Europe, nearly half of all fuel volume is coming through Extra loyalty members and merchandise penetration is seeing strong year-over-year growth.

We recently launched Extra 2.0 in Sweden as a way to help drive additional traffic in that country. With food strategy, our primary focus has shifted to enhancing operations and execution rather than growing store count, which is now at more than 5,800 globally.

Our operations teams continue to look at ways to improve profitability and reduce spoilage utilizing our new production planning tools. We are also working hard to become more local in both our food and merchandise offers to best serve the preferences of our extremely diverse global communities.

We are seeing strong sales and satisfaction with our limited time offers, including our Kong breakfast sandwich and our Red Bull and Wings promotion. Additional items launched during the quarter included Italian Panini and Rose Beef and Cheddar sandwiches.

To further accelerate sales growth, looking forward, this month, we are launching $3, $4 and $5 bundled meal and beverage deals in the US to provide our customer with value offers and help accelerate traffic and unit growth.

As we strive to be the number one thirst stop across the network, our summer beverage campaigns have provided exceptional value and exciting exclusive flavors. In the US, these key campaigns have been very popular with our customers, leading the unit growth in dispensed beverages. However, the compelling value did compress margins this quarter.

We also continued with our exclusive offerings, including Gatorade Lightning Blast, co-branded Arizona Tea Dragon Fruit, Celsius Watermelon Lemonade, and Mountain Dew Purple Thunder.

In Europe, packaged beverage sales continue to perform well, with energy driving overall category performance. Alcohol sales are also positive in Europe with Ireland leading the way. And starting today across Ontario, Canada's largest market, we are pleased that we can now offer a selection of beer, cider, wine and ready-to-drink alcoholic beverages in our eligible convenience stores.

While we continue to have pressure on cigarette sticks globally, we are seeing some stabilization in the US where we are outperforming our competitive peer group. This is partially due to ongoing efforts around pricing optimization and initiatives we have underway with our supply partners, including brand-focused contest and personalization programs for our age-verified customers.

In other nicotine products, strong growth continues across the network. In the US, we have expanded our assortment and offers, and in our European markets, nicotine pouches are performing especially well.

Now we'll turn to mobility. Looking at our fuel business, same-store road transportation fuel volumes decreased by 0.8% in the United States, by 1.4% in Europe and other regions and by 2.1% in Canada. Global fuel demand remained unfavorably impacted by challenging economic conditions. And as I mentioned earlier, our fuel margins remained healthy as we continue to work on building value from our fuel supply chain and serving our customers through lower cost sourcing options.

Our Europe B2B fuel business had a solid first quarter despite slightly lower volumes than last year. In our legacy business units, the truck segment showed resilience and maintained volumes, and we are seeing some early wins with B2B customers in our four new European countries. In fleet, we continue to focus on developing our customer portfolio.

In the US, the B2B fuel share continues to grow as we expand our reach and customer base. This is predominantly driven by our fleet segment, as our teams improve efficiency and effectiveness across all channels. We are also expanding our truck accessible sites currently at about 475, which are making it fast and easy for truck drivers to get into our sites, fill up and back on the road.

We continue to expand our EV fast charging network in Europe, which now consists of more than 2,800 charge points. Over the quarter, we increased the focus on our new European markets as well as in Ireland. In North America, we continued with a disciplined approach to network expansion and site selection.

In organic network growth, we are making notable progress on our 500 new stores and five-year effort. We opened 16 new stores this quarter and are on track to open nearly 100 in North America this fiscal year. As part of our strategic plan, these new stores include both high-speed diesel and rural locations.

Before I conclude, I want to mention the work that we are doing to improve operational excellence. We continue to implement enhancements and back-office automation to simplify administrative tasks required of our store team members and managers. We are also preparing for the deployment of our AI supply chain tool across North America which we expect will improve product availability, reduce store inventory and fully optimized product assortment as it has done in our European business units.

Our primary goal with these operational excellence initiatives is to free up our store team members so they can better serve our customers and make their lives a little easier every day. And looking ahead, while writing out these near-term economic headwinds, we are seeing some promising signs in the economy, especially in the US as inflation is beginning to ease and interest rates are expected to be lowered in the months ahead.

Our hope is that this will lessen some of the pressure on our lower end customers. And in the meantime, we will continue to find ways to provide them with value and ease both inside our stores and on our four courts.

In addition, while same-store road transportation fuel volumes remain under pressure, we are encouraged that fuel margins are gradually improving. With that, I'll turn it over to Filipe.

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

Thank you, Alex. Ladies and gentlemen, good morning. As Alex noted, we are pleased with the progress of our integration of the European retail assets from TotalEnergies, supported by successful technical pilots across the four countries. We see significant potential to grow merchandise sales, particularly in food and beverages, where our established program can be effectively introduced.

This integration builds on our Statoil fuel and retail experience and with stronger capabilities and resources, we expect to accelerate execution. We have identified $187 million in synergies over the next five years, driven by improved merchandise sales, operational efficiencies and optimized labor management.

Additionally, we're making great progress in our fit to serve initiative by using data-driven insights to enhance our procurement strategy in the United States. In the coming months, we'll extend this approach to our operations in Canada and Europe.

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 2025, net earnings attributable to shareholders of the corporation were $790.8 million or $0.83 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 $790 million compared with $858 million for the first quarter of fiscal 2024. Adjusted diluted net earnings per share were $0.83, representing a decrease of 3.5% from $0.86 for the corresponding quarter of last year.

During the first quarter, excluding the net impact from foreign currency translation, merchandise and service revenues increased by approximately $252 million or 5.4% primarily attributable to the contribution from acquisition, which amounted to approximately $312 million, partly offset by softness in traffic.

Excluding the net impact from foreign currency translation, merchandise and service gross profit increased by approximately $82 million or 5.5%. This is primarily attributable to the contribution from acquisitions, which amounted to approximately [$110 million] partly offset by softness in traffic.

Our merchandise and services gross margin decreased by 0.6% in the United States to 53.7%, mainly due to investment to support our summer first campaigns while it increased by 0.9% in Canada to 34.8%, impacted favorably by a change in product mix.

In Europe and other regions, our merchandise and service gross margin decreased by 0.1% to 39.8% impacted by the integration of certain retail assets from TotalEnergies, which have a different product mix than our operations in Europe and other regions. Excluding this impact, our gross margin in Europe and other regions would have increased by 1.6%, driven by a favorable change in product mix.

Moving on to the full fuel side of our business. In the first quarter of fiscal 2025, our road transportation fuel gross margin was [$0.4813] per gallon in the United States, a decrease of $1.92 per gallon, mainly due to the competitive pressure in some of our markets.

And in Canada, it was CAD0.1311 per liter, a decrease of CAD0.014 per liter while in Europe and other regions, it was USD0.868 per liter, an increase of [USD0.047] per liter. Notwithstanding the modest decline from the comparable quarter in some regions, fuel gross margins remain healthy throughout the network.

Now looking at SG&A. For the first quarter of fiscal 2025, normalized operating expenses increased by 3.8% year over year. This is mainly driven by inflationary pressures and incremental investment in technology to support our strategic initiatives while being partly offset by the continued strategic efforts to control our expenses, including labor efficiencies in our stores.

More specifically, we have seen significant results coming from our office program, which makes it easier for our store associates to complete the administrative tasks leading to a reduction of [1.3%] of hours in North America in the first fiscal quarter of 2025.

Excluding specific items described in more detail in our MD&A, the adjusted EBITDA for the first quarter of fiscal 2025 increased by $73.2 million or 4.8% compared with the corresponding quarter of fiscal 2024, mainly due to the contribution from acquisition, which amounted to approximately $127 million partly offset by softness in traffic and fuel demand as low income consumer remain impacted by challenging economic conditions and by lower road transportation fuel gross margins.

From a tax perspective, the income tax rate for the first quarter of fiscal 2025 was 23.1% compared with 22.8% for the corresponding period of fiscal 2024. The increase is mainly stemming from the impact of a different mix in our earnings across the various jurisdictions in which we operate.

As of July 21, 2024, we recorded a return on equity at 19.8%, and our return on capital employed stood at 12.8%. During the fiscal year, our leverage ratio decreased to 2.15%.

We also had strong balance sheet liquidity with $1.6 billion in cash and an additional $3.3 billion available through our main revolving credit facility. Subsequent to the end of the first quarter of fiscal 2025 and under the share repurchase program, we repurchased 8.7 million shares through a private agreement for an amount of $508.7 million.

We also repaid our Canadian dollar-denominated senior unsecured notes for CAD700 million and settled the cross-currency interest rate swaps associated with the notes, which had an unfavorable fair value of $51.7 million at settlement with no impact on earnings.

Turning to the dividend. The Board of Directors declared yesterday a quarterly dividend of CAD0.0175 per share for the first quarter 2025 to shareholders on record as of September 13, 2024, and approved this payment effective September 27, 2024.

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

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

Thank you, Filipe. As I said earlier in the call, I'm looking forward to getting started as President and CEO of tomorrow. I have a strong bench of executive leaders supporting me, and we are optimistic about the future of our globally diversified business. We have a strong balance sheet, the right long-term strategy and exciting growth potential.

Most of all, we have some of the best people and customers in the industry, and I am deeply grateful for their continued support and commitment to our journey of becoming the world's preferred destination for convenience and mobility.

On that note, let's turn it over to the operator to answer analyst questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Irene Nattel, RBC Capital Markets.

Irene Nattel - *RBC Capital Markets - Analyst*

Before I ask my question, I just want to say thank you to Brian, congratulations, and wishing you all the best. It's been a pleasure. Moving on to my question. I understand that you're not going to specifically address but it would be very helpful if you would remind us of your criteria for M&A? Sort of what kind of hurdle rates, how you approach it, your views on the balance sheet? And maybe you could even frame it within the context of the GetGo transaction?

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

Yes. Thank you, Irene. So as you know, historically, we have been very, very -- we have always had a very disciplined financial approach, and we aim to continue at that. We have demonstrated that again with the GetGo transaction with a single-digit multiple there. And -- put for us, as it's very important, it's always looking at returns it's not that multiple, that's important is more about returns.

And as you know, on that, again, we have always aimed at looking at a 15% return on capital employed on year free that's our goal.

Of course, here, emphasizing always on how we can get the best in terms -- and that has been our approach, and we will continue to do that for any transaction that we have been looking at and we'll be looking at in the future. In terms of balance sheet, as you know, we have always said that our comfort level in terms of leverage is 2.5 times. That's where we want to be, I would say, on the long term.

But having said that, when we wanted to be active on the M&A side. We believe that we have the powder to do it. So as you know, we have -- we believe, at least $10 billion in terms of balance sheet means that we know that we can go up to 3.75 times leverage with no impact on our credit ratings. That's, I would say, something that we are clear.

But at the same time, you know that we -- it doesn't prevent us to even consider a higher leverage if needed. But always keeping in mind a financial and disciplined approach and looking also at the deleverage. We have been historically a company that has been able to deleverage quickly -- and that's something that we will continue to do. So very confident about our ability to be disciplined. We have the solid and robust balance sheet.

We have a stronger syndicate and bank and partners that to help us there. So we aim to continue to do that in the future.

Irene Nattel - *RBC Capital Markets - Analyst*

That's very helpful. And then just finally, as far as a follow-up question. How are you thinking about the approval process from a competition perspective? And what are you thinking more broadly about views right now with respect to major M&A?

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

I think -- Irene, thanks for the question. Yes, we have some overlap with GetGo, but it's not material at all, and we'll go through the regular HSR process and engagement with the FTC and we have quite a bit of experience doing that. And again, we expect to be able to close this transaction in calendar 2025.

Operator

Michael Van Aelst, TD Cowen.

Michael Van Aelst - *TD Cowen - Analyst*

I wanted to talk a little bit more about the US same-store sales. It seems like you had some of the promo campaigns appear to be mostly focused on the beverage category. Wondering if it was on other categories as well. And to what degree you consider successful -- and then would you be able to break out same-store sales excluding tobacco because tobacco is a big part of your in-store sales and seems to be a big drag still. So I'm wondering what that is. A lot of companies back it out.

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

Yes, sure. Thanks for the question. Yes, we invested heavily in the quarter into primarily thirst initiatives. The summer is our prime beverage time and we grew units. We grew traffic because of those units.

While our overall traffic was still negative, we did improve traffic and had several weeks in business units that were positive. But it came at a cost. It came at a cost that you see on our margin line. We thought it was important to drive that traffic. And we don't see that continuing kind of quarter-over-quarter with those level of investments.

On tobacco, as we mentioned, I think we're feeling cigarettes are stabilizing. When we look at tobacco as a whole, when we include our significant growth in other nicotine along with our outperformance of the industry in sticks, it actually would have been positive to our same-store sales, and we would have been negative 0.6%, excluding tobacco.

Michael Van Aelst - *TD Cowen - Analyst*

So excluding other tobacco products and cigarettes, you would have been negative 0.6%.

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

Excluding cigarettes. Yes.

Michael Van Aelst - *TD Cowen - Analyst*

Excluding cigarettes in total or other tobacco products as well.

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

No. Actually, when you look at the -- and that's something that is interesting for us, Michael, is that when we look at the total tobacco category, actually, it's growing faster than the total box. So we see -- we continue to see a very strong momentum on the other nicotine product high single-digit growth there, actually in US but also in Europe as well.

So when you look at the total tobacco, actually, where we see a good momentum there.

Michael Van Aelst - *TD Cowen - Analyst*

Sorry, it wasn't 100% clear. When you said you were down 0.6%, was that just excluding cigarettes?

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

Yes.

Michael Van Aelst - *TD Cowen - Analyst*

Okay. And then I guess when you look at other -- some of your peers, you've got a range where some are declining and some are increasing, excluding cigarettes. Where are you feeling the pressures the most?

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

I think here what Alex mentioned earlier is that during the quarter, we have decided to invest heavily on the on the beverage and cold category, cold leverage category and kind of impacting our average basket kind of self-inflicted. So -- and that has been quite significant to be on it because we wanted to provide a great value there.

But we feel good in the sense that we have seen a positive reaction in terms of traffic but also in terms of units. We believe that it was the right thing to do. But yes, in the short term, it has an impact on the same same-store performance. And yes, coming mainly from the cold beverage category.

Michael Van Aelst - *TD Cowen - Analyst*

Okay. And then just on the cigarettes, so you say it's stabilized, that's specific for Couche-Tard. I assume because the data coming out of the cigarette manufacturers still seems to be significantly negative.

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

That is correct. I think our overperformance against that industry, the industry data and the efforts we're taking around price optimization, using our digital tools, partnering with our big vendors we are materially outperforming the industry. And we do feel like we've stabilized to some degree.

Operator

Bonnie Herzog, Goldman Sachs.

Bonnie Herzog - *Goldman Sachs - Analyst*

It had a question on the health of the consumer. It seems like across your network, you've seen maybe a bit more pressure on consumer spending and traffic versus peers. So I guess hoping for a little bit more color on why this might be? And then -- could you give a little more color on the changes in consumer behavior you're seeing at the pump or on inside sales and really how those have evolved recently?

And then finally, you touched on this a bit, but could you highlight possibly some of your key initiatives that you've implemented to ultimately offer more value for the consumer to drive faster traffic and sales.

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

Yes. Bonnie, I don't think we feel at all bad about how we're performing against our peers. Our data certainly suggests that we are taking share across our convenience space at a level that is fairly pronounced and quite strong. So we feel really good about how we're performing inside the industry. And we will continue to focus on doing that.

I think the consumer has stretched -- why do we say that? Less visits, lower baskets. Fuel is a great example of that. We actually have higher traffic to our four courts, but the average fill is down level that leads to negative same-store volume. So we just see that consistently from our consumers in our transactions.

I think your final question was what are we doing? We're looking to leverage our scale and our relationship with our vendors to show value on products that our data suggests our customers really care about. And we will continue to do that.

I think going forward, we're really going to focus on meal bundles and leveraging our first expertise with food to drive that and also continuing to focus on private label. Our private label, we see customers choosing private label.

Private label is growing for us, high single digits, low double digits in all of our geographies. We will add over 100 products in private label this year and look to continue to push those.

Bonnie Herzog - *Goldman Sachs - Analyst*

Okay. That's helpful. And then just to clarify, post your quarter just thinking about in August, how have things been trending? Are you seeing improvements are things weakening with the consumer? Just curious to get that perspective from you.

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

I think it's been pretty consistent. I think it's been pretty consistent.

Operator

Bobby Griffin, Raymond James.

Alessandra Jimenez - *Raymond James - Analyst*

This is Alessandra Jimenez on for Bobby Griffin. I first wanted to follow up on promotions. Do you plan to invest in margin outside of the thirst category to help drive traffic and market share. And then a follow-up to that, are you seeing anything notable from competitor behavior on pricing either on the merchandise or fuel sales? Or have competitors been pretty rational thus far?

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

We always run promotions really across our footprint or our merged categories. We always do that. I think our investments in data and our investments in digital, I think we'll continue to get smarter at what promotions we should be running and which ones resonate with our customers. But we always run promotions across basically all areas of our stores. I think we'll likely lower the number of promotions and be more targeted using our data to advise us.

I don't remember the second part of the question.

Alessandra Jimenez - *Raymond James - Analyst*

Just competitor behavior on pricing on merchandise and fuel. Have you seen them rational?

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

Yes. No. I mean we see our industry continues to behave very rationally.

Operator

Anthony Bonadio, Wells Fargo.

Anthony Bonadio - *Wells Fargo - Analyst*

I wanted to ask about the Department of Labor overtime rules in the US I believe that's currently set to go into effect in January or at least the second raise. I realize there's quite a bit of uncertainty still in terms of the final outcome. But can you just talk about the impact to your business if that were to go into effect and just how you're thinking about mitigating any headwind there?

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

Yes. I don't think we expect to have any type of material impact from that is what our analysis suggests.

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

The vast majority of our managers there are paid hourly. So it will be very minimal.

Anthony Bonadio - *Wells Fargo - Analyst*

Understood. And then just on gas, I know you guys mentioned an uptick in competitive pressure on the US as it pertains to margin. I think that's the first time that's been mentioned, at least in recent memory. Can you just talk about a little more about what you're seeing there and any thoughts on how that evolves?

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

I don't believe we are -- we feel pretty good about our fuel margins competitors continuing to act rationally. Our margins have been quite stable. I think they were quite solid this period, and we're seeing that continue. So on the box, we are -- we pushed some really heavy summer promotions to drive traffic into our stores, and that impacted our margins this quarter. But again, we don't expect that to continue as a theme going forward.

Operator

Mark Petrie, CIBC.

Mark Petrie - *CIBC - Analyst*

And thanks, Brian, for all the conversation over the years, and I certainly wish you all the best. And congratulations, Alex, again. On the SG&A, the organic increase was a little bit higher than what we've seen from you over the last year. I know you're still getting lower labor hours, but I think the decrease moderated from what you posted in Q4 and last year.

So are the results that we're seeing today or we saw in Q1 simply a matter of cycling some of the early and substantial benefits that you've had from your strategic initiatives? Or what are the drivers there? And how are you thinking about that organic increase to be trending through the balance of the year?

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

Mark, thanks for question. Let me start with, I would say, the part of your question is we remain very confident on our ambition to beat inflation by 1% on the in terms of SG&A growth. So that's what we want to achieve. And again, we believe that we have the initiatives to get there. That doesn't mean that quarter-over-quarter, we can have some variation.

And that's one of the examples in Q1. When you look at this a 3.8% growth on the normalized -- a normalized level for SG&A. A significant component of that is coming from the investment that we are doing on the technology side, as mentioned by Alex earlier, we are investing to become a more digital retailer, engaging more in a digital way with our customers.

Also making sure that we are senting our technology infrastructure. So that's something that we had in our strategic roadmap, and we are investing on that. So that's one of the reasons why you have seen the Q1 growing slightly over the inflation.

Having said that, and you pointed out in your question, we see positive things happening in terms of productivity are easy office. And I would say all the productivity initiative that we have in stores are bringing very good fruits 1.3% decrease in hours.

We see also our service center initiatives moving in the right direction as well. So -- overall, our fleet to serve a goal of [800 million] over the next five years. We have already identified all the initiatives. So -- so no concerns at all about the goal of beating inflation by 100 basis points in -- of the course of the fiscal year and over the next five years.

Operator

Chris Li, Desjardins.

Chris Li - *Desjardins Capital Markets - Analyst*

Just maybe I'll start with a clarification question. So I think in the early opening remarks, you mentioned the multiple that you paid for GetGo, was it -- you said single-digit EBITDA multiple? Did I hear that correctly?

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

Yes.

Chris Li - *Desjardins Capital Markets - Analyst*

And that's pre-synergies, I'm guessing?

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

Exactly.

Chris Li - *Desjardins Capital Markets - Analyst*

Perfect. Okay. And then just another question I have is just -- thanks for all the great comments you guys have been putting out in terms of the merchandise same-store sales trends in the US I just want to maybe ask more directly, like what are you guys seeing so far in Q2 to date in terms of merchandise same-store sales? Is this still trading negative? Or is it back to positive given that the year ago comparison obviously has become easier?

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

I think thus far, it's been fairly consistent with where we've been in the last couple of quarters kind of six weeks into the quarter.

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

As we enter the fall, we should begin to lapse weakest year and cycle that.

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

I think we start to lap some more difficult things. I think we feel good about our ability to continue to take share and continue to use Inner Circle to drive additional trips and provide value that should assist us.

Chris Li - *Desjardins Capital Markets - Analyst*

Okay. But so far, you're still trending slightly negative. Is that what I'm hearing? .

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

Yes.

Chris Li - *Desjardins Capital Markets - Analyst*

Okay. Okay. And then just in terms of the comment about -- obviously, you made some heavy investment in pricing in the summer months. You don't expect that to continue. Just again, from a gross margin perspective, do you then expect gross margin to be more or less stable in the current quarter? Or is it still trending negative because of investments that you're making in the bundle offers and et cetera?

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

So we -- actually, we expect actually to see a gross margin rebounding over the next coming quarters, okay? So -- we are investing heavily in the summer campaigns because, again, we just wanted to make sure that we were shouting enough to the customers that we were in for value.

But over the next coming quarters, we continue that and making sure so that we are asking suppliers to participate in the funding and using more and more of the loyalty capabilities to be smarter in terms of investments. So you should expect GP and mainly in US coming back to a more normal level.

Chris Li - *Desjardins Capital Markets - Analyst*

Perfect. And my last question is just in terms of acquisitions, it was noted in the press release, I think acquisition contributed about $127 million of EBITDA growth in the quarter. Is the vast majority from Total? And if that's the case, it does seem like there was a nice sequential improvement versus Q4. Am I reading this correctly?

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

Perfect, yes.

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

Yes, you are.

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

Yes, we are seeing a good -- a much, much better trend there, feeling good at again about the teams and what they are doing and the synergies. So yes, it's moving in the right direction, Chris.

Chris Li - *Desjardins Capital Markets - Analyst*

Thanks very much -- and Brian, it's been a pleasure, and you're in Ontario. Let me know I gladly you beer at our neighborhood Circle K store.

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

That's awesome. I never see that in my career made it by one day.

Operator

Tamy Chen, BMO Capital Markets.

Tamy Chen - *BMO Capital Markets - Analyst*

I wanted to focus a bit more on Europe. First, your stand-alone business, excluding TotalEnergies for a second here. So I think you said that the Europe-only merchandise comp was positive 0.9%. I think that was a little bit better sequentially. But if I recall, two quarters ago, your Europe ex Hong Kong business was comping at something like mid-2% range.

So I just wanted to ask if you can just recap what's been going on in Europe I guess it's the same macro challenges. But I thought in that region, your stand-alone Europe business, you were more exposed to the middle higher income cohort. And so these macro pressures like that wouldn't have been as pronounced that it would be in the US.

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

You are correct with the 0.9% when we exclude Hong Kong for the performance, and it is a little lower than they have been. We are experiencing some of the same macro pressures in our Europe -- in our legacy European business with traffic being a challenge. But the business continues to perform quite well. We would continue to focus on our thirst initiatives, our food initiatives, which make up large percentages of our sales other nicotine is growing very nicely in Europe. And our European business continues to perform quite well.

So I guess to summarize some of the same challenges around the macro environment and to our consumers, but it is performing pretty well. And we envision that it will continue to do so.

Tamy Chen - *BMO Capital Markets - Analyst*

Okay. And my follow-up is, now I want to talk more on TotalEnergies. I think last quarter, it sounded like one of the big challenges that hurt the earnings contribution from that business was, Brian, you talked quite a bit about fuel margin in Germany. It was very depressed. I think you were saying that was starting to recover.

Can you update us a bit on that? Was that what helped with the sequential improvement in earnings contribution from Total? Or was it something else like the synergies execution part?

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

Specific to Germany, the CPL remains low, actually, but it's more temporary situation more due to the situation of the market. So we did that -- there is no change on the long-term view that you'll see -- we see a margin going -- improving over time in Germany.

And actually, so the sequential improvement of the profitability is more coming from the implementation of synergies on the box side, the cost also that we start to also to adjust to our existing model. So it's more coming from this side, actually, the sequential improvement.

Operator

Martin Lander, Stifel.

Martin Landry - *Stifel - Analyst*

I have a couple of questions on GetGo given the sizable acquisition that it is I was wondering you talk about GetGo having a pretty successful make-to-order food program. So can you share with us what's the proportion of food that represents of total merchandise sales?

Also wondering if you could talk a little bit about expected synergies in terms of size that could be realized? And then lastly, just timing of closing, you're seeing 2025 is a pretty wide range. I was wondering if you could just narrow that a little bit would be helpful for our modeling.

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

Yes, I think we feel great about GetGo. First of all, these are really high-quality assets, high-quality throughputs in both fuel and merch. You asked about food. It's kind of high teens, low 20s. They have their full food offer in 123 stores that you can order on their kiosk -- they -- we're really excited about the reverse synergies from this file. They have -- my perks loyalty program that is profound. It's deep penetration, we would see learnings in food and they're ready to go food.

And I think we'll bring them some things on the procurement side in March and in fuel and likely our cost leadership usually flows through as well. So we feel really good. And I would say GetGo is a little unique and that I really view it as a forward partnership. Gotten to know Bill, Dave and Justin, their leadership as we've been doing this. They share a similar culture to us.

This is going to allow them to focus on their grocery stores and grow their grocery stores, and we will be their convenience and fuel partner and look to grow our joint loyalty program and do things across warehousing, commissary that we think are really unique. So this is really about a forward partnership with a company that we share a close culture, and we're super excited about it.

Martin Landry - *Stifel - Analyst*

Okay. And historically, I mean, you've been able to generate or bump the EBITDA you've acquired in most of your transactions by 30% to 50%. Is this -- could that be the case for GetGo? .

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

We don't provide guidance on that, but I would say the let's be conservative on that, and I would go for the lowest range that you mentioned -- that we are, as mentioned by Alex, we will be convincing over time about the progress on the synergies. But on the reverse synergy, we believe that there is a lot to be done there.

Operator

[John Zamparo], Scotiabank.

John Zamparo - *Scotiabank - Analyst*

Great. I wanted to ask on the loyalty program and on Inner Circle in the US It seems like you're clearly getting good traction in growing that program. I wonder, are you also seeing outperformance on merchandise sales in the business units where you've deployed that? And is there anything you can quantify on that front?

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

First of all, thank you for the coverage. We appreciate it. Yes, I think, as I mentioned earlier, we continuously seem to be growing what we see as market share outperformance versus our industry. and that has coincided with our Inner Circle launch and what's happening. And we see that performance. The business units are at different levels maturity. It's not a linear equation.

But I think at a macro sense, we feel like Inner Circle is certainly helping us take market share and win against our competitive set.

John Zamparo - *Scotiabank - Analyst*

Okay. That's helpful. And then just one follow-up on Europe on the tobacco side. I think you said last call, you expect a pickup in volumes in the Netherlands because of the ban on sales at grocery stores. Are you starting to see the uplift you'd hope for in that category?

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

We absolutely are. We are seeing 40% to 50% uplift already, and we've expanded our SKU range over there, and it's very early days, but we absolutely are seeing it.

John Zamparo - *Scotiabank - Analyst*

I appreciate the color. Hats off and best wishes to you, Brian, and congratulations to you, Alex.

Operator

Luke Hannan, Canaccord Genuity.

Luke Hannan - *Canaccord Genuity - Analyst*

I wanted to start with a follow-up to the discussion on the US, the meal deals, the $3, $4, $5 meal deals that you're rolling out there. Overall, all else equal, Filipe, I know you mentioned that you expect merchandise margins to rebound near future. And I imagine that's a handful of initiatives driving that. But just focusing on the meal deals for a second here.

At those price points, do you still expect that to be accretive to US merchandise margins all else equal? Or is this similar to the investments in beverage, where it's more of a focus on driving traffic at this point?

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

We do believe it will be accretive. I think for a couple -- let me start with most people that buy food from us, they're also going to buy a drink. And we have some unique capabilities in the tremendously broad SKU set that we sell and specifically energy drinks, which is a huge growth category that we are a destination for.

So we believe this is a large opportunity. Our vendors are really eager to lean in on partnering with us on food service and providing value across meal bundles. And we have great relationships with them. We are partnering with them -- so they are really helping fund some of the value that the consumer realizes here.

Luke Hannan - *Canaccord Genuity - Analyst*

Okay. And then my second question here is just on fit to serve. If I remember correctly last call, I think roughly half of that $800 million ambition had been achieved. Where do things stand as of today on that front?

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

We continue to progress on the execution of it. As I mentioned earlier, we already identified actually the $800 million. We see the path there -- and hopefully, the execution will go faster than the five years that we initially planned, but we are moving in the right direction.

Operator

John Royall, JPMorgan.

John Royall - *JPMorgan - Analyst*

So I just wanted to see if you could talk about your approach to buy versus build in terms of prepared foods, you're building a food program organically, but do you consider it to be a key part of your M&A strategy to accelerate those efforts by acquiring a chain that has a strong capability in prepared foods. I'm just trying to understand how important a food capability is to your criteria on the M&A side.

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

I think for some period of time, we have been targeting what we call high-quality assets. So larger boxes, bigger volumes, quality real estate, higher merged sales and food is one element of that, that is certainly in scope for us. I think GetGo is a perfect example of that.

Again, they are a food-first retailer. They have a very robust food program inside their cafe markets. And so the GetGo is a perfect example of what we are targeting inside of M&A and how food plays into that.

Operator

There are no further questions at this time. I will now turn the call over to Mathieu for closing remarks.

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

Thank you, Brian, Alex and Filipe. That covers all the questions for today's call. Thank you all for joining us. We wish you a great day and look forward to discussing our second quarter of 2025 results in November.

(spoken in foreign language)

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.
