ACE HARDWARE CORPORATION
Quarterly report for the period ended October 3, 2026



ACE HARDWARE CORPORATION
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Review Report of Independent Auditors

The Board of Directors
Ace Hardware Corporation

Results of Review of Interim Financial Information

We have reviewed the accompanying consolidated interim financial statements of Ace Hardware Corporation (the Company), which comprise the consolidated balance sheets as of October 3, 2026 and September 27, 2025, and the related consolidated statements of income and comprehensive income for the three- and nine-month periods ended October 3, 2026 and September 27, 2025, and the consolidated statements of equity and cash flows for the nine-month periods ended October 3, 2026 and September 27, 2025, and the related notes (collectively referred to as the "interim financial information").

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

Basis for Review Results

We conducted our review in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Interim Financial Information

Management is responsible for the preparation and fair presentation of the interim financial information in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial information that is free from material misstatement, whether due to fraud or error.

Report on Balance Sheet as of January 3, 2026

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of January 3, 2026, and the related consolidated statements of income, comprehensive income, consolidated statement of equity, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 17, 2026. In our opinion, the accompanying consolidated balance sheet of the Company as of January 3, 2026, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Ernst & Young LLP

November 10, 2026

ACE HARDWARE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited, in millions)

	Three Months Ended		Nine Months Ended	
	October 3, 2026 (13 Weeks)	September 27, 2025 (13 Weeks)	October 3, 2026 (39 Weeks)	September 27, 2025 (39 Weeks)
Revenues:				
Wholesale revenues	$ 2,323.4	$ 2,269.6	$ 7,312.8	$ 6,866.9
Retail revenues	212.6	213.1	679.1	663.1
Total revenues	2,536.0	2,482.7	7,991.9	7,530.0
Cost of revenues:				
Wholesale cost of revenues	1,964.9	1,923.7	6,248.9	5,895.2
Retail cost of revenues	114.7	113.2	364.8	360.1
Total cost of revenues	2,079.6	2,036.9	6,613.7	6,255.3
Gross profit:				
Wholesale gross profit	358.5	345.9	1,063.9	971.7
Retail gross profit	97.9	99.9	314.3	303.0
Total gross profit	456.4	445.8	1,378.2	1,274.7
Wholesale operating expenses:				
Distribution operations expenses	86.2	77.2	243.5	229.4
Selling, general and administrative expenses	91.8	109.8	272.8	290.5
Retailer success and development expenses	79.5	69.9	258.7	244.1
Retail operating expenses	84.5	81.3	257.0	242.2
Retail pre-opening expenses	0.3	0.7	2.0	1.6
Total operating expenses	342.3	338.9	1,034.0	1,007.8
Operating income	114.1	106.9	344.2	266.9
Interest expense	(14.6)	(14.0)	(43.9)	(42.0)
Interest income	3.3	1.7	8.7	5.0
Other income, net	37.4	6.9	55.3	19.5
Income tax benefit (expense)	1.9	(1.8)	3.5	(0.3)
Net income	142.1	99.7	367.8	249.1
Less: net income (loss) attributable to noncontrolling interests	0.1	(0.5)	(0.1)	(1.3)
Net income attributable to Ace Hardware Corporation	$ 142.0	$ 100.2	$ 367.9	$ 250.4
Patronage distributions accrued	$ 153.6	$ 122.1	$ 401.6	$ 294.2
Patronage distributions accrued for third party Retailers	$ 145.2	$ 117.0	$ 382.1	$ 279.1

See accompanying notes to the consolidated financial statements.

ACE HARDWARE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited, in millions)

	Three Months Ended		Nine Months Ended	
	October 3, 2026 (13 Weeks)	September 27, 2025 (13 Weeks)	October 3, 2026 (39 Weeks)	September 27, 2025 (39 Weeks)
Net income	$ 142.1	$ 99.7	$ 367.8	$ 249.1
Other comprehensive (loss) income, net of tax:				
Foreign currency translation	(0.1)	0.4	(0.1)	1.0
Unrealized (loss) gain on available-for-sale debt securities	(0.9)	1.0	(0.5)	1.6
Total other comprehensive (loss) income, net	(1.0)	1.4	(0.6)	2.6
Comprehensive income	141.1	101.1	367.2	251.7
Less: Comprehensive income (loss) attributable to noncontrolling interests	0.1	(0.4)	(0.1)	(1.1)
Comprehensive income attributable to Ace Hardware Corporation	$ 141.0	$ 101.5	$ 367.3	$ 252.8

See accompanying notes to the consolidated financial statements.

ACE HARDWARE CORPORATION
CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	October 3, 2026	January 3, 2026	September 27, 2025
Assets	(Unaudited)	(Audited)	(Unaudited)
Cash and cash equivalents	$ 33.1	$ 46.8	$ 37.7
Marketable securities	38.6	40.5	44.6
Receivables, net of allowance for doubtful accounts of $12.4, $17.0 and $16.3, respectively	801.9	739.9	775.6
Inventories	1,401.8	1,200.8	1,297.7
Prepaid expenses and other current assets	98.1	89.9	100.0
Total current assets	2,373.5	2,117.9	2,255.6
Property and equipment, net	765.6	746.4	719.1
Operating lease right-of-use assets, net	771.4	742.5	767.0
Finance lease right-of-use assets, net	180.5	171.4	161.7
Goodwill and other intangible assets, net	474.1	464.7	467.2
Other assets	218.1	202.4	196.9
Total assets	$ 4,783.2	$ 4,445.3	$ 4,567.5
Liabilities and Equity			
Current maturities of long-term debt	$ 130.2	$ 63.4	$ 92.7
Accounts payable	1,265.9	1,188.5	1,241.9
Patronage distributions payable in cash	157.0	139.0	114.6
Patronage refund certificates payable	24.3	24.3	15.0
Current operating lease liabilities	98.8	102.5	114.2
Current finance lease liabilities	47.0	43.4	45.2
Accrued expenses	290.2	337.7	294.8
Total current liabilities	2,013.4	1,898.8	1,918.4
Long-term debt	471.4	403.8	503.7
Patronage refund certificates payable	323.2	250.5	258.8
Long-term operating lease liabilities	714.0	673.7	682.4
Long-term finance lease liabilities	130.9	123.8	115.3
Other long-term liabilities	208.1	194.6	175.2
Total liabilities	3,861.0	3,545.2	3,653.8
Member Retailers' Equity:			
Class A voting common stock, $1,000 par value, 10,000 shares authorized, 2,562, 2,586 and 2,590 issued and outstanding, respectively	2.6	2.6	2.6
Class C nonvoting common stock, $100 par value, 20,000,000 shares authorized, 8,085,776, 7,757,661 and 7,870,016 issued and outstanding, respectively	808.6	775.8	787.0
Class C nonvoting common stock, $100 par value, issuable to Retailers for patronage distributions, 898,626, 815,156 and 678,763 shares issuable, respectively	89.9	81.5	67.9
Contributed capital	16.1	18.9	18.8
Retained earnings	3.4	17.9	30.4
Accumulated other comprehensive income	0.1	0.6	0.4
Equity attributable to Ace member Retailers	920.7	897.3	907.1
Equity attributable to noncontrolling interests	1.5	2.8	6.6
Total equity	922.2	900.1	913.7
Total liabilities and equity	$ 4,783.2	$ 4,445.3	$ 4,567.5

See accompanying notes to the consolidated financial statements.

ACE HARDWARE CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited, in millions)

	Shareholders of Ace Hardware Corporation							
	Capital Stock		Class C Stock Issuable to Retailers for Patronage Distributions	Additional Stock Subscribed	Contributed Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interests	Total Equity
	Class A	Class C							
Balances at December 28, 2024	$ 2.6	$ 752.9	$ 82.5	$ -	$ 19.3	$ 58.5	$ (1.9)	$ 8.0	$ 921.9
Net income (loss)	-	-	-	-	-	250.4	-	(1.3)	249.1
Other comprehensive income	-	-	-	-	-	-	2.6	-	2.6
Net payments on subscriptions	-	-	-	1.0	-	-	-	-	1.0
Stock issued	0.1	82.2	(82.5)	(1.0)	-	0.6	-	-	(0.6)
Change in noncontrolling interests	-	-	-	-	0.3	-	(0.3)	-	-
Stock repurchased	(0.1)	(48.1)	-	-	-	-	-	-	(48.2)
Patronage distributions issuable	-	-	67.9	-	-	-	-	-	67.9
Patronage distributions payable	-	-	-	-	-	(279.1)	-	-	(279.1)
Other	-	-	-	-	(0.8)	-	-	(0.1)	(0.9)
Balances at September 27, 2025	$ 2.6	$ 787.0	$ 67.9	$ -	$ 18.8	$ 30.4	$ 0.4	$ 6.6	$ 913.7
Balances at January 3, 2026	$ 2.6	$ 775.8	$ 81.5	$ -	$ 18.9	$ 17.9	$ 0.6	$ 2.8	$ 900.1
Net income (loss)	-	-	-	-	-	367.9	-	(0.1)	367.8
Other comprehensive income	-	-	-	-	-	-	(0.6)	-	(0.6)
Net payments on subscriptions	-	-	-	0.9	-	-	-	-	0.9
Stock issued	0.1	81.9	(81.5)	(0.9)	-	0.7	-	-	0.3
Change in noncontrolling interests	-	-	-	-	(2.8)	(1.0)	0.1	(1.2)	(4.9)
Stock repurchased	(0.1)	(49.1)	-	-	-	-	-	-	(49.2)
Patronage distributions issuable	-	-	89.9	-	-	-	-	-	89.9
Patronage distributions payable	-	-	-	-	-	(382.1)	-	-	(382.1)
Balances at October 3, 2026	$ 2.6	$ 808.6	$ 89.9	$ -	$ 16.1	$ 3.4	$ 0.1	$ 1.5	$ 922.2

See accompanying notes to the consolidated financial statements.

ACE HARDWARE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Nine Months Ended	
	October 3, 2026 (39 Weeks)	September 27, 2025 (39 Weeks)
Operating Activities		
Net income	$ 367.8	$ 249.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	86.1	82.3
Non-cash lease expense	38.2	33.4
Amortization of deferred financing costs	0.7	0.7
Loss (gain) on the disposal of assets, net	0.7	(0.3)
(Reversal) provision for doubtful accounts	(0.3)	8.0
Deferred taxes	(4.4)	(2.3)
Other, net	7.7	7.8
Changes in operating assets and liabilities, exclusive of effect of acquisitions:		
Receivables	(121.6)	(118.4)
Inventories	(200.4)	(96.7)
Other current assets	(8.1)	(15.0)
Other long-term assets	2.9	(4.5)
Accounts payable and accrued expenses	42.1	30.3
Other long-term liabilities	8.9	22.9
Net cash provided by operating activities	220.3	197.3
Investing Activities		
Purchases of investment securities	(1.2)	(9.0)
Proceeds from sale of investment securities	1.9	6.0
Purchases of property and equipment	(101.2)	(201.9)
Cash paid for acquired businesses, net of cash acquired	(11.8)	(15.5)
Increase in notes receivable, net	(39.3)	(17.7)
Proceeds from sale of assets	0.2	0.7
Other, net	(0.6)	(0.7)
Net cash used in investing activities	(152.0)	(238.1)
Financing Activities		
Net borrowings under revolving lines of credit	134.9	265.7
Principal payments on long-term debt	(16.6)	(15.1)
Principal portion of finance lease payments	(39.5)	(36.2)
Payments of cash portion of patronage distribution	(139.3)	(137.8)
Payments of patronage refund certificates	(14.5)	(28.7)
Repurchase of stock	(6.5)	(6.8)
Purchase of noncontrolling interests	(5.4)	(1.1)
Other, net	4.9	2.2
Net cash (used in) provided by financing activities	(82.0)	42.2
(Decrease) increase in cash and cash equivalents	(13.7)	1.4
Cash and cash equivalents at beginning of period	46.8	36.3
Cash and cash equivalents at end of period	$ 33.1	$ 37.7
Supplemental disclosure of cash flow information:		
Interest paid	$ 39.3	$ 37.9
Income taxes paid	$ 1.8	$ 1.9

See accompanying notes to the consolidated financial statements.

(1) Summary of Significant Accounting Policies

The Company and Its Business

Ace Hardware Corporation ("the Company") is a wholesaler of hardware, paint and other related products. The Company also provides to its retail members ("Retailers") value-added services such as advertising, marketing, merchandising and store location and design services. The Company's goods and services are sold predominately within the United States, primarily to Retailers that operate hardware stores and with whom the Company has a retail membership agreement. As a retailer-owned cooperative, the Company distributes substantially all of its patronage sourced income in the form of patronage distributions to Retailers based on their volume of merchandise purchases.

Ace International Hardware Corporation ("AIH") is a majority-owned and controlled subsidiary of the Company with a 12.9 percent noncontrolling interest held by AIH customers. AIH shareholders do not own shares of stock in the Company nor receive patronage distributions.

Ace Retail Holdings LLC ("ARH") owns and operates Ace Retail Group, Inc. ("ARG"). ARG is a retailer of hardware, paint and other related products operating 267 stores in 17 states.

Ace Wholesale Holdings LLC ("AWH") owns and operates Emery Jensen Distribution ("EJD"). EJD is a wholesaler of hardware, paint and other related products to non-member retailers.

Ace Services Holdings LLC ("ASH"), through its subsidiaries, operates Ace Hardware Home Services ("AHHS"), a provider of residential plumbing, heating, cooling and electric ("PHCE") services, and Ace Handyman Services, a franchisor of home improvement, maintenance and repair services.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. The unaudited consolidated financial statements and notes should be read in conjunction with the financial statements and notes thereto included in the Company's 2025 Annual Report. The unaudited consolidated financial statements for the nine months ended October 3, 2026 and September 27, 2025 both cover a 39-week period.

Subsequent events have been evaluated through November 10, 2026, the date these statements were available to be issued.

The financial information included herein reflects all adjustments (consisting only of normal recurring adjustments), which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the nine months ended October 3, 2026 are not necessarily indicative of the results to be expected for the full fiscal year 2026.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All intercompany transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized when performance obligations under the terms of contracts with our customers are satisfied; generally, this occurs with the transfer of control of merchandise or services. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. The Company excludes sales and usage-based taxes collected and recognizes revenues net of expected returns. Provisions for sales returns are provided at the time the related sales are recorded based on historic returns activity.

The Company's warehouse merchandise revenue originates with a single performance obligation to ship the products, and therefore the Company's performance obligations are satisfied when control of the products is transferred to the customer per the arranged shipping terms. The customer takes ownership and assumes risk of loss for warehouse merchandise upon delivery. Although products are generally shipped FOB shipping point, the Company effectively retains the responsibilities of ownership until the goods reach the customer. The Company considers shipping and handling as activities to fulfill its performance obligation for warehouse

merchandise revenues. Billings for freight are accounted for as Revenues and shipping and handling costs are accounted for in Cost of revenues.

The Company has direct shipment arrangements with various vendors to deliver products to its customers without having to physically hold the inventory at the Company's warehouses, thereby increasing efficiency and reducing costs. The Company recognizes revenue for direct shipment arrangements upon delivery to the customer with contract terms that typically specify FOB destination. The Company recognizes the revenue and cost of goods sold from these arrangements on a gross basis as the principal in the transaction as the Company is primarily responsible for fulfilling the promise to customers to provide merchandise at negotiated prices with the vendors, assumes inventory risk if the product is returned by the customers, and assumes all the credit risk for the vendors with the customers.

Service revenues (advertising activities, brand building initiatives and fees for other services provided primarily to domestic Retailers) are recognized when the service is complete as this is when the Retailer has the ability to direct the use of and obtain the benefits from the service. Service revenues from the Company's residential home service businesses are recognized when the repair or installation is complete. Service revenues are included in Wholesale revenues on the Consolidated Statements of Income.

The Company's digital revenues come from Ace Hardware's website. For digital transactions, customers choose whether to have merchandise delivered to them or to collect their merchandise from an Ace store ("in-store pick up"). For items delivered directly to the customer, control passes and revenue is recognized when delivery has been completed to the customer, as title has passed and we have transferred possession to the customer. For in-store pick up, control passes and revenue is recognized once the customer has taken possession of the merchandise. Any fees charged to customers for delivery are a component of the transaction price and are recognized when delivery has been completed. Payment terms for retail and digital sales are at the point of sale. Digital revenues are included in Wholesale revenues on the Consolidated Statements of Income.

Retail revenues from retail locations owned and operated by the Company are recognized when the customer takes ownership of the products sold and assumes the risk of loss. The customer takes ownership and assumes risk of loss generally at the point of sale in our owned retail locations.

The Company offers its Retailers various incentive programs which provide the Retailers with certain sales allowances. The Company offers these incentive programs in anticipation of future sales to the Retailers that participate in these programs. Since the sales allowances provide future economic benefit to the Company, they are capitalized in Other assets and amortized as a reduction of revenue on a straight-line basis over the period of expected future sales to these Retailers, which is generally five years.

Allowance for Expected Credit Losses

The Company estimates an allowance for credit losses related to future expected losses by using relevant information such as historical collection statistics, current customer credit information, the current economic environment, the aging of receivables, the evaluation of compliance with lending covenants and the offsetting amounts due to Retailers for stock, notes, interest and anticipated but unpaid patronage distributions. Significant past due accounts are reserved on a specific identification basis. For the remainder of the accounts, the allowance is evaluated on a pool basis for accounts with similar risk characteristics and a loss-rate for each pool is determined using current conditions and historical credit loss statistics. The Company considers accounts and notes receivable past due if invoices remain unpaid past their due date and provides for the write-off of uncollectible receivables after exhausting all commercially reasonable collection efforts.

New Accounting Pronouncements – Issued

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which requires disclosures of disaggregated information about a reporting entity's effective tax rate reconciliation as well as disclosures on income taxes paid by jurisdiction. ASU No. 2023-09 is effective for annual periods beginning after December 15, 2025. The guidance is required to be applied on a prospective basis, with the option to apply the standard retrospectively. Early adoption is permitted. The Company will adopt this ASU in 2026 and is not anticipating a material impact on the Company's consolidated financial statements other than additional disclosures.

In September 2025, the FASB issued ASU No. 2025-06, "Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software," which is intended to modernize internal-use software guidance by removing all references to project stages and by clarifying the thresholds entities apply to begin capitalizing costs. ASU No. 2025-06 is effective for fiscal years beginning after December 15, 2027, and interim periods within those annual reporting periods. Early adoption is permitted. The guidance may be applied on a prospective basis, a modified basis for in-process projects, or a retrospective basis. The Company is evaluating the impact of the standard on our consolidated financial statements.

(2) Leases

The Company leases certain warehouse and distribution space, office space, retail locations, equipment and vehicles under finance and operating leases. The Company determines if an arrangement is a lease at inception and recognizes a lease liability and right-of-use ("ROU") asset in the Company's Consolidated Balance Sheets upon commencement of a lease. Operating and finance lease assets represent the right to use an underlying asset for the lease term. Operating and finance lease liabilities represent the obligation to make lease payments arising from the lease. These assets and liabilities are recognized based on the present value of future payments over the lease term at commencement date, which is the date the Company takes possession or control of the property or equipment.

The remaining undiscounted lease payments under operating leases were $957.7 million and $905.1 million as of October 3, 2026 and January 3, 2026, respectively. The remaining undiscounted lease payments under finance leases were $194.6 million and $182.4 million as of October 3, 2026 and January 3, 2026, respectively.

During the nine months ended October 3, 2026, the Company recorded $105.4 million of operating ROU assets and $49.3 million of finance ROU assets and associated new lease liabilities. The increase in operating ROU assets was primarily due to lease modifications and new stores for ARG. The increase in finance ROU assets was primarily due to new transportation equipment leases.

Additionally, the Company has excluded approximately $36.1 million of payments (undiscounted basis) for leases that have not yet commenced. These leases will commence between the fourth quarter of 2026 and the second quarter of 2027 with terms of up to fifteen years and include a new facility for AHD and new stores for ARG.

(3) Receivables, net

The Company's receivables consist primarily of trade receivables from customers for the sale of merchandise, services and equipment and receivables from the Company's vendors for incentive and marketing programs.

Receivables, net include the following amounts:

	October 3, 2026	January 3, 2026	September 27, 2025
Trade	$ 620.8	$ 568.6	$ 620.1
Vendor	137.6	131.4	124.6
Other	29.4	18.2	25.7
Notes receivable – current portion	26.5	38.7	21.5
Less allowance for doubtful accounts	(12.4)	(17.0)	(16.3)
Receivables, net	$ 801.9	$ 739.9	$ 775.6

The components of changes to the Receivable allowance for doubtful accounts for the nine months ended October 3, 2026 and September 27, 2025 were as follows:

	October 3, 2026	September 27, 2025
Beginning balance	$ 17.0	$ 10.9
(Reversals) Charges to provision	(0.2)	7.6
Accounts written off, net of recoveries	(4.4)	(2.2)
Ending balance	$ 12.4	$ 16.3

(4) Notes Receivable, net

The Company makes available to its Retailers various lending programs whose terms exceed one year. The Company classified the current portion in Receivables net, and the long-term portion, net of allowance for doubtful accounts in Other assets.

	October 3, 2026	January 3, 2026	September 27, 2025
Notes receivable, gross	$ 97.5	$ 90.8	$ 73.4
Less accrued patronage distributions to be applied	(48.9)	(40.1)	(33.8)
Notes receivable, net of accrued patronage distributions	48.6	50.7	39.6
Less current portion of notes receivable included in Receivables, net	(26.5)	(38.7)	(21.5)
Less allowance for doubtful accounts	(3.3)	(3.4)	(2.4)
Notes receivable, net	$ 18.8	$ 8.6	$ 15.7

For substantially all of the Company's Notes receivable, the amounts due are generally expected to be collected through the non-cash portion of the following year's annual patronage distribution and are therefore classified as current. In the event a Retailer cancels its membership with the Company, any outstanding loans are transferred from Notes receivable to Trade receivables and are due immediately. As the non-cash portion of the patronage distribution is used to settle the Notes receivable, there are no loans that are currently past due. The patronage distribution for each Retailer can vary from year to year based on the Company's financial performance, as well as the volume of patronage-based merchandise that each Retailer purchases from the Company. The contractual maturities of the Notes Receivable, before consideration of patronage deductions to be applied in the current year, are as follows:

	October 3, 2026	January 3, 2026	September 27, 2025
0 – 4 years	$ 23.0	$ 28.1	$ 28.2
5 – 8 years	49.7	36.0	22.7
9 – 10 years	24.8	26.7	22.5
Total	$ 97.5	$ 90.8	$ 73.4

The Company evaluates risk on its loan portfolio by categorizing each loan into an internal risk category. The Company's risk categories include:

Low – The Retailer possesses a strong financial position, above average payment record to both Ace and other vendors, and the business is well established.

Moderate – The Retailer possesses an average financial position, an average payment record to both Ace and other vendors, and the business is somewhat established.

High – The Retailer possesses a weak financial position, a substandard payment record to Ace or other vendors, or the business is somewhat new.

Based upon these criteria, the Company has classified its loan portfolio as follows:

Corporate Credit Exposure:	October 3, 2026	January 3, 2026	September 27, 2025
Low risk	$ 36.6	$ 31.4	$ 23.3
Moderate risk	31.4	32.8	27.0
High risk	29.5	26.6	23.1
Total	$ 97.5	$ 90.8	$ 73.4

Pursuant to the Company's Amended and Restated Certificate of Incorporation and the Company's by-laws, notes receivable (like all obligations owed to the Company by the Company's Retailers) are secured by the Company stock owned by the Retailers. For this reason, as well as the fact that substantially all of the notes receivable are repaid from the following year's annual patronage distribution, the actual risk of collection is low for the notes receivable portfolio despite many Retailers being classified as Moderate and High risk.

The Company applies a consistent practice of establishing an allowance for notes that it feels may become uncollectible by monitoring the financial strength of its Retailers. The collectability of certain notes is evaluated on an individual basis, while the

remaining notes are evaluated on a collective basis. Due to the nature of the notes and the collateral held by the Company, virtually all outstanding notes were collectively evaluated for impairment.

The Company has evaluated the collectability of the notes and has established an allowance for doubtful accounts of $3.3 million, $3.4 million and $2.4 million as of October 3, 2026, January 3, 2026 and September 27, 2025, respectively. Management records the allowance for doubtful accounts based on the above information as well as judgments made considering a number of factors, primarily historical collection statistics, current Retailer credit information, the current economic environment and the offsetting amounts due to Retailers for stock, notes, interest and declared and unpaid patronage distributions. The components of changes to the Notes receivable allowance for doubtful accounts for the nine months ended October 3, 2026 and September 27, 2025 were as follows:

	October 3, 2026	September 27, 2025
Beginning balance	$ 3.4	$ -
(Reversals) charges to provision	(0.1)	0.4
Reclassification from Receivables, net	-	2.0
Ending balance	$ 3.3	$ 2.4

Notes bear interest at various rates and are recorded at face value. Interest is recognized over the life of the note based on the outstanding balance and stated interest rate, which approximates the effective interest method. During the nine months ended October 3, 2026 and September 27, 2025, $5.2 million and $4.3 million, respectively, was recorded as interest income related to the notes.

Generally, in the event a Retailer cancels their membership with the Company, any outstanding Notes receivable, and related allowance for doubtful accounts, are transferred to Trade receivables and the Retailer is billed for any unpaid principal and interest balances. During the nine months ended October 3, 2026 and September 27, 2025, $20.2 million and $12.7 million, respectively, of Notes receivable were transferred to Trade receivables as an event occurred which made the notes due immediately.

(5) Inventories

Inventories consist of wholesale merchandise inventories held for sale to customers and retail merchandise inventory held for resale at ARG retail locations. Substantially all of the Company's wholesale inventories are valued on the last-in, first-out ("LIFO") method. The excess of replacement cost over the LIFO value of inventory was $297.3 million, $279.6 million and $264.4 million at October 3, 2026, January 3, 2026 and September 27, 2025, respectively. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at the time. Interim LIFO calculations are based on management's estimates of expected year-end inventory levels and costs and are subject to the final year-end LIFO inventory valuation. Inventories at ARG retail locations are valued at the lower of cost or net realizable value. Inventory cost is determined using the moving average method, which approximates the first-in, first-out ("FIFO") method. The Company regularly reviews its inventory and establishes a reserve for excess and obsolete inventory based on a number of factors, including historical sales, sales forecasts, obsolescence due to technology changes and defective goods.

Inventories consisted of:	October 3, 2026	January 3, 2026	September 27, 2025
Wholesale merchandise inventory (LIFO)	$ 1,072.2	$ 911.4	$ 1,018.1
Retail merchandise inventory at ARG stores (FIFO)	329.6	289.4	279.6
Inventories	$ 1,401.8	$ 1,200.8	$ 1,297.7

(6) Debt

The Company has a $1.1 billion line of credit facility. The facility is expandable to $1.4 billion through a $300.0 million accordion that is exercisable without the consent of existing lenders provided that the Company is not in default of the credit agreement and further provided that none of the existing lenders are required to provide any portion of the increased facility. At the Company's discretion, borrowings under the credit facility bear interest at a rate of either 25 to 100 basis points over the prime rate or 125 to 200 basis points over the Secured Overnight Financing Rate ("SOFR"), depending on the Company's leverage ratio. The credit facility was priced at SOFR plus 150 basis points at October 3, 2026. Fees on the unused portion of the line of credit range from 17.5 to 27.5 basis points depending on the Company's leverage ratio. The credit facility expires on January 24, 2028. As of October 3, 2026, the Company was in compliance with its covenants and had $443.1 million in borrowings outstanding under the credit facility.

The credit facility includes a $175.0 million sublimit for the issuance of standby and commercial letters of credit. As of October 3, 2026, a total of $43.4 million in letters of credit were outstanding.

The credit facility allows the Company to make revolving loans and other extensions of credit to AIH in an aggregate principal amount not to exceed $100.0 million at any time. As of October 3, 2026, there were $11.0 million in loans or other extensions of credit provided to AIH.

The Company's ARG subsidiary has a $175.0 million asset-based revolving credit facility ("ARG Facility") that expires on December 31, 2030. The facility is expandable to $200.0 million through a $25.0 million accordion that is exercisable without the consent of existing lenders provided that the Company is not in default of the credit agreement and further provided that none of the existing lenders are required to provide a portion of the increased facility. Under this facility, ARG has the right to issue letters of credit up to a maximum of $7.5 million. Borrowings under this facility bear interest at a rate of either the prime rate plus an applicable spread of 25 to 50 basis points or SOFR plus an applicable spread of 125 to 150 basis points, depending on ARG's average availability under the ARG Facility as measured on a trailing 12-month basis. The ARG Facility was priced at SOFR plus 125 basis points at October 3, 2026.

The ARG Facility is collateralized by substantially all of ARG's tangible and intangible assets. Borrowings under the facility are subject to a borrowing base calculation consisting of certain advance rates applied to eligible collateral balances (primarily consisting of certain receivables and inventories). This agreement requires maintenance of certain financial covenants including a minimum fixed charge coverage ratio. As of October 3, 2026, ARG was in compliance with its covenants and had $108.2 million in borrowings outstanding under the ARG Facility.

The ARG Facility includes a lender-controlled cash concentration system that results in all of ARG's daily available cash being applied to the outstanding borrowings under their facility. Pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification Section 470-10-45, "Classification of Revolving Credit Agreements Subject to Lock-Box Arrangements and Subjective Acceleration Clauses," all borrowings under the ARG Facility are classified as a Current maturity of long-term debt.

Total debt outstanding is comprised of the following:

	October 3, 2026	January 3, 2026	September 27, 2025
Revolving Credit Facility	$ 443.1	$ 374.5	$ 472.0
ARG Facility	108.2	41.8	70.3
Installment notes with maturities through 2030 at a fixed rate of 6.00%	50.3	50.9	54.1
Total debt	601.6	467.2	596.4
Less maturities within one year	(130.2)	(63.4)	(92.7)
Long-term debt	$ 471.4	$ 403.8	$ 503.7

(7) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There is a three-level hierarchy for disclosure to show the extent and level of judgment used to estimate fair value measurements.

Level 1 – Investments included in this category are the Company's Fixed income mutual funds, Equity mutual funds, Money market funds and U.S. government notes. The Company's valuation techniques used to measure the fair values of these investments are derived from quoted market prices for identical instruments, as active markets for these instruments exist. The Company has classified its investments used to support the Company's deferred compensation plan as Other assets as these investments are restricted solely for this purpose.

Level 2 – Investments included in this category are the Company's Corporate fixed income securities, Mortgage-backed securities and Other debt securities. Other debt securities primarily consist of taxable municipal bonds, corporate asset-backed securities, and U.S. Agency fixed rate notes and bonds. The Company's valuation techniques used to measure the fair values of these securities are derived from the following: non-binding market consensus prices that are corroborated by observable market data, quoted market prices for similar instruments, or pricing models, such as discounted cash flow techniques, with all significant inputs derived from or corroborated by observable market data.

Level 3 – Uses inputs that are unobservable and are supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

The tables below set forth, by level, the Company's financial assets that were accounted for at fair value as of October 3, 2026, January 3, 2026 and September 27, 2025. The tables do not include cash on hand and also do not include assets and liabilities that are measured at historical cost or any basis other than fair value. The carrying values for other current financial assets and liabilities, such as accounts receivable and accounts payable, approximate fair value due to the short maturity of such instruments. Long-term notes

receivable approximate fair value because the Company charges its Retailers interest and a significant portion of the notes have the Company's stock as collateral.

Items measured at fair value on a recurring basis	Carrying Value Measured at Fair Value October 3, 2026	Level 1	Level 2	Level 3
Assets:				
Cash equivalents:				
Money market funds	$ 6.0	$ 6.0	$ -	$ -
Marketable securities:				
Corporate fixed income securities	$ 10.2	$ -	$ 10.2	$ -
Mortgage-backed securities	9.2	-	9.2	-
U.S. government notes	5.3	5.3	-	-
Other	13.9	8.4	5.5	-
Total marketable securities	$ 38.6	$ 13.7	$ 24.9	$ -
Other assets:				
Money market funds	$ 1.4	$ 1.4	$ -	$ -
Fixed income mutual funds	11.6	11.6	-	-
Equity mutual funds	30.9	30.9	-	-
Total other assets	$ 43.9	$ 43.9	$ -	$ -

Items measured at fair value on a recurring basis	Carrying Value Measured at Fair Value January 3, 2026	Level 1	Level 2	Level 3
Assets:				
Cash equivalents:				
Money market funds	$ 8.7	$ 8.7	$ -	$ -
Marketable securities:				
Corporate fixed income securities	$ 11.6	$ -	$ 11.6	$ -
Mortgage-backed securities	10.6	-	10.6	-
U.S. government notes	7.4	7.4	-	-
Other	10.9	5.2	5.7	-
Total marketable securities	$ 40.5	$ 12.6	$ 27.9	$ -
Other assets:				
Money market funds	$ 1.4	$ 1.4	$ -	$ -
Fixed income mutual funds	19.5	19.5	-	-
Equity mutual funds	20.0	20.0	-	-
Total other assets	$ 40.9	$ 40.9	$ -	$ -

Items measured at fair value on a recurring basis	Carrying Value Measured at Fair Value September 27, 2025	Level 1	Level 2	Level 3
Assets:				
Cash equivalents:				
Money market funds	$ 7.5	$ 7.5	$ -	$ -
Marketable securities:				
Corporate fixed income securities	$ 13.9	$ -	$ 13.9	$ -
Mortgage-backed securities	11.0	-	11.0	-
U.S. government notes	7.3	7.3	-	-
Other	12.4	5.1	7.3	-
Total marketable securities	$ 44.6	$ 12.4	$ 32.2	$ -
Other assets:				
Money market funds	$ 1.3	$ 1.3	$ -	$ -
Fixed income mutual funds	18.8	18.8	-	-
Equity mutual funds	19.3	19.3	-	-
Total other assets	$ 39.4	$ 39.4	$ -	$ -

The fair value of the Company's debt and equity securities exceeded cost by $9.7 million and $5.5 million at October 3, 2026 and September 27, 2025, respectively. The realized and unrealized gains and losses on equity securities are recorded to Other income, net and the realized gain or loss on debt securities are recorded in the period in which the gain or loss occurs to Other income, net in the Consolidated Statements of Income. Unrealized gains and losses on debt securities are recorded as a component of Other comprehensive income (loss), net of tax. The Company has not recorded an allowance due to the unrealized losses being driven by the market factors related to fluctuating interest rates as opposed to credit factors. All debt securities are expected to reach par value at their maturity dates.

Gross proceeds from the sale of money market, debt and equity securities and the related realized gains and losses for the three and nine months ended October 3, 2026 and September 27, 2025 were as follows:

	Three Months Ended		Nine Months Ended	
	October 3, 2026	September 27, 2025	October 3, 2026	September 27, 2025
Gross proceeds	$ 1.3	$ 0.3	$ 1.9	$ 6.0

Gross realized gains and losses were determined using the specific identification method. For the nine months ended October 3, 2026, the Company reclassified immaterial amounts of unrealized gains and unrealized losses on the marketable securities that were recorded in Accumulated other comprehensive loss as of January 3, 2026 into realized losses. These amounts were recorded to Other income, net in the Consolidated Statements of Income.

The following table summarizes the contractual maturity distributions of the Company's debt securities at October 3, 2026. Actual maturities may differ from the contractual or expected maturities since borrowers may have the right to prepay obligations with or without prepayment penalties.

Fair value of available-for-sale debt securities	Due in One Year or Less	Due After One Year through Five Years	Due After Five Years through Ten Years	Due After Ten Years	Total
Corporate fixed income securities	$ 0.3	$ 4.3	$ 2.1	$ 3.5	$ 10.2
Mortgage-backed securities	-	-	0.1	9.1	9.2
U.S. government notes	3.1	1.8	0.3	0.1	5.3
Other	8.5	1.5	0.7	3.2	13.9
Total	$ 11.9	$ 7.6	$ 3.2	$ 15.9	$ 38.6

The Company's debt instruments are recorded at cost on the Consolidated Balance Sheets. The fair value of the Company's debt approximated carrying value at October 3, 2026. The estimated fair value of long-term debt is based on estimated rates for similar instruments and discounted cash flow analysis using the Company's weighted-average interest rate and is, therefore, classified as Level 3 within the fair value hierarchy.

(8) Income Taxes

Income tax differs from the amount computed by applying the statutory U.S. Federal income tax rate of 21 percent to pre-tax income because of the effect of the following items:

	Three Months Ended		Nine Months Ended	
	October 3, 2026	September 27, 2025	October 3, 2026	September 27, 2025
Expected tax at U.S. Federal income tax rate	$ (29.4)	$ (21.3)	$ (76.5)	$ (52.4)
Patronage distribution deductions	30.4	24.6	80.2	58.6
Other, net	0.9	(5.1)	(0.2)	(6.5)
Income tax benefit (expense)	$ 1.9	$ (1.8)	$ 3.5	$ (0.3)

(9) Supplemental Disclosures of Cash Flow Information

During the nine months ended October 3, 2026 and September 27, 2025, accrued patronage distributions of $62.4 million and $43.6 million, respectively, were offset against Trade receivables and Notes receivable owed to the Company by its Retailers with no net impact in the Consolidated Statements of Cash Flows.

During the nine months ended October 3, 2026 and September 27, 2025, non-cash repurchases of stock from Retailers of $42.7 million and $41.3 million, respectively, were offset against Trade receivables of $8.0 million and $9.8 million, respectively, and Notes receivable of $18.7 million and $12.8 million, respectively. The remaining $16.0 million and $18.7 million, respectively, were primarily issued as notes payable with no net impact in the Consolidated Statements of Cash Flows.

During the nine months ended October 3, 2026 and September 27, 2025, the Company received $5.5 million and $8.5 million, respectively, of property and equipment prior to quarter end and accrued for these items as no cash payments were made. These capital expenditures were not included in the Purchases of property and equipment in the Consolidated Statements of Cash Flows for the nine months ended October 3, 2026 and September 27, 2025. During the nine months ended October 3, 2026 and September 27, 2025, the Company paid $6.8 million and $6.9 million, respectively, for property and equipment that was purchased and accrued during the years ended January 3, 2026 and December 28, 2024. These capital expenditures were included in the Purchases of property and equipment in the Consolidated Statements of Cash Flows for the nine months ended October 3, 2026 and September 27, 2025.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis summarizes the significant factors affecting the Company's consolidated operating results and financial condition during the three- and nine-month periods ended October 3, 2026 and September 27, 2025. This discussion and analysis should be read in conjunction with the Company's 2025 Annual Report, as well as the consolidated financial statements (unaudited) and notes thereto contained in this report that have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Results of the interim periods presented are not necessarily indicative of the results to be expected for the full fiscal year due to seasonal and other factors.

Results of Operations

Comparison of the Three Months Ended October 3, 2026 to the Three Months Ended September 27, 2025

The following data summarizes the Company's performance in 2026 as compared to 2025 (in millions):

	2026		2025		Favorable/ (Unfavorable)	
	$	% of Revenues*	$	% of Revenues*	$	%
Revenues:						
Wholesale revenues	2,323.4	91.6%	2,269.6	91.4%	53.8	2.4%
Retail revenues	212.6	8.4%	213.1	8.6%	(0.5)	(0.2%)
Total revenues	2,536.0	100.0%	2,482.7	100.0%	53.3	2.1%
Gross profit:						
Wholesale gross profit	358.5	15.4%	345.9	15.2%	12.6	3.6%
Retail gross profit	97.9	46.0%	99.9	46.9%	(2.0)	(2.0%)
Total gross profit	456.4	18.0%	445.8	18.0%	10.6	2.4%
Operating expenses:						
Wholesale operating expenses	257.5	11.1%	256.9	11.3%	(0.6)	(0.2%)
Retail operating expenses	84.5	39.7%	81.3	38.2%	(3.2)	(3.9%)
Retail pre-opening expenses	0.3	0.1%	0.7	0.3%	0.4	57.1%
Total operating expenses	342.3	13.5%	338.9	13.7%	(3.4)	(1.0%)
Operating income	114.1	4.5%	106.9	4.3%	7.2	6.7%
Interest expense	(14.6)	(0.6%)	(14.0)	(0.6%)	(0.6)	(4.3%)
Other income, net	42.5	1.7%	7.3	0.3%	35.2	482.2%
Net income attributable to Ace Hardware Corporation	142.0	5.6%	100.2	4.0%	41.8	41.7%

*Wholesale gross profit and expenses are shown as a percentage of wholesale revenues. Retail gross profit and expenses are shown as a percentage of retail revenues. Non-operating items are shown as a percentage of total revenues.

A reconciliation of consolidated revenues follows (in millions):

	Amount	% Change vs. 2025
2025 Revenues	$ 2,482.7	
Wholesale Merchandise Revenues change based on new and cancelled domestic stores:		
Revenues increase from new stores added since January 2025	48.5	1.9%
Revenues decrease from stores cancelled since January 2025	(8.7)	(0.4%)
Decrease in wholesale merchandise revenues to comparable domestic Ace stores	(20.1)	(0.8%)
Increase in wholesale service revenues from domestic Ace stores	13.2	0.5%
Increase in AWH wholesale revenues	16.4	0.7%
Increase in AIH wholesale revenues	5.2	0.2%
Decrease in ASH service revenues	(4.6)	(0.2%)
Increase in Acehardware.com revenues	4.3	0.2%
Decrease in ARG retail revenues	(0.5)	(0.0%)
Other revenue changes, net	(0.4)	(0.0%)
2026 Revenues	$ 2,536.0	2.1%

Consolidated revenues for the three months ended October 3, 2026 totaled $2.5 billion, an increase of $53.3 million, or 2.1 percent, as compared to the prior year third quarter. Wholesale revenues were $2.3 billion for the third quarter of 2026, an increase of

$53.8 million, or 2.4 percent, as compared to the prior year third quarter. Increases were seen across many departments with outdoor power equipment, holiday décor, power tools, and fans and heaters showing the largest gains. New stores are defined as stores that were activated from January 2025 through September 2026. In 2026, the Company had an increase in wholesale merchandise revenues from new domestic stores of $48.5 million. This increase was partially offset by a decrease in wholesale merchandise revenues due to domestic store cancellations of $8.7 million. As a result, the Company realized a net increase in wholesale merchandise revenues of $39.8 million related to the impact of both new stores affiliated with the Company and from stores that cancelled their membership in 2025 and 2026. Wholesale merchandise revenues to comparable domestic stores decreased $20.1 million for the quarter.

The number of the Company's domestic Ace retail outlets is summarized as follows:

	Three Months Ended	
	October 3, 2026	September 27, 2025
Retail outlets at beginning of period	5,283	5,195
New retail outlets added	46	41
Retail outlet cancellations	(22)	(16)
Retail outlets at end of period	5,307	5,220

Ace Wholesale Holdings, LLC ("AWH") revenues were $168.8 million during the three months ended October 3, 2026, representing a $16.4 million increase in wholesale revenue from the prior year due to higher sales to hardware and pro lumber customers.

Ace International Hardware Corporation ("AIH") revenues were $52.3 million during the three months ended October 3, 2026, representing a $5.2 million increase in wholesale revenue from the prior year.

Ace Services Holdings, LLC ("ASH") revenues were $48.7 million during the three months ended October 3, 2026, representing a $4.6 million decrease from the prior year.

Revenues from Acehardware.com were $110.5 million during the three months ended October 3, 2026, representing a $4.3 million increase from the prior year.

Retail revenues from Ace Retail Group, Inc. ("ARG") were $212.6 million during the three months ended October 3, 2026, representing a $0.5 million, or 0.2 percent, decrease from the prior year. ARG experienced a same-store sales decrease of 2.1 percent during the third quarter of 2026. The new stores opened by ARG since the end of the second quarter of 2025 contributed $3.7 million of incremental revenues during the three months ended October 3, 2026. ARG operated 267 stores at the end of the third quarter of 2026 compared to 263 stores at the end of the third quarter of 2025.

Wholesale gross profit for the three months ended October 3, 2026 was $358.5 million, an increase of $12.6 million from the three months ended September 27, 2025. The wholesale gross margin percentage was 15.4 percent of wholesale revenues for the third quarter of 2026, up from 15.2 percent in the third quarter of 2025.

Retail gross profit for the three months ended October 3, 2026 was $97.9 million, a decrease of $2.0 million from the three months ended September 27, 2025. The retail gross margin percentage was 46.0 percent of retail revenues for the third quarter of 2026, down from 46.9 percent in the third quarter of 2025. This decrease is primarily driven by product mix. For ARG, retail gross profit is based on the Company's wholesale acquisition cost of product, not ARG's acquisition cost which includes a markup from the Company.

Wholesale operating expenses increased $0.6 million, or 0.2 percent, in the three months ended October 3, 2026 as compared to the three months ended September 27, 2025. This increase is primarily driven by increases in marketing and advertising spending and higher depreciation expense; partially offset by non-recurring asset impairment charges recorded during the third quarter of 2025 related to the Company's International operations. Wholesale operating expenses as a percent of wholesale revenues decreased to 11.1 percent in the third quarter of 2026 from 11.3 percent of wholesale revenues in the third quarter of 2025.

Retail operating expenses increased $3.2 million, or 3.9 percent, in the three months ended October 3, 2026 as compared to the three months ended September 27, 2025. The increase was driven by expenses related to the new stores added since the end of the second quarter of 2025. Retail operating expenses as a percent of retail revenue increased to 39.7 percent in the third quarter of 2026 from 38.2 percent in the third quarter of 2025.

Other income, net increased $35.2 million in the three months ended October 3, 2026 primarily due to a $32.2 million refund received during the third quarter of 2026 from U.S. Customs and Border Protection related to tariffs previously paid under the International Emergency Economic Powers Act (IEEPA).

Comparison of the Nine Months Ended October 3, 2026 to the Nine Months Ended September 27, 2025

The following data summarizes the Company's performance in 2026 as compared to 2025 (in millions):

	2026		2025		Favorable/ (Unfavorable)	
	$	% of Revenues*	$	% of Revenues*	$	%
Revenues:						
Wholesale revenues	7,312.8	91.5%	6,866.9	91.2%	445.9	6.5%
Retail revenues	679.1	8.5%	663.1	8.8%	16.0	2.4%
Total revenues	7,991.9	100.0%	7,530.0	100.0%	461.9	6.1%
Gross profit:						
Wholesale gross profit	1,063.9	14.5%	971.7	14.2%	92.2	9.5%
Retail gross profit	314.3	46.3%	303.0	45.7%	11.3	3.7%
Total gross profit	1,378.2	17.2%	1,274.7	16.9%	103.5	8.1%
Operating expenses:						
Wholesale operating expenses	775.0	10.6%	764.0	11.1%	(11.0)	(1.4%)
Retail operating expenses	257.0	37.8%	242.2	36.5%	(14.8)	(6.1%)
Retail pre-opening expenses	2.0	0.3%	1.6	0.2%	(0.4)	(25.0%)
Total operating expenses	1,034.0	12.9%	1,007.8	13.4%	(26.2)	(2.6%)
Operating income	344.2	4.3%	266.9	3.5%	77.3	29.0%
Interest expense	(43.9)	(0.5%)	(42.0)	(0.5%)	(1.9)	(4.5%)
Other income, net	67.6	0.8%	25.5	0.3%	42.1	165.1%
Net income attributable to Ace Hardware Corporation	367.9	4.6%	250.4	3.3%	117.5	46.9%

*Wholesale gross profit and expenses are shown as a percentage of wholesale revenues. Retail gross profit and expenses are shown as a percentage of retail revenues. Non-operating items are shown as a percentage of total revenues.

A reconciliation of consolidated revenues follows (in millions):

	Amount	% Change vs. 2025
2025 Revenues	$ 7,530.0	
Wholesale Merchandise Revenues change based on new and cancelled domestic stores:		
Revenues increase from new stores added since January 2025	188.2	2.5%
Revenues decrease from stores cancelled since January 2025	(29.9)	(0.4%)
Increase in wholesale merchandise revenues to comparable domestic Ace stores	172.3	2.3%
Increase in wholesale service revenues from domestic Ace stores	46.2	0.6%
Increase in AWH wholesale revenues	45.7	0.6%
Increase in AIH wholesale revenues	2.2	0.0%
Decrease in ASH service revenues	(0.3)	(0.0%)
Increase in Acehardware.com revenues	47.2	0.6%
Increase in ARG retail revenues	16.0	0.2%
Other revenue changes, net	(25.7)	(0.3%)
2026 Revenues	$ 7,991.9	6.1%

Consolidated revenues for the nine months ended October 3, 2026 totaled $8.0 billion, an increase of $461.9 million, or 6.1 percent, as compared to the prior year. Wholesale revenues were $7.3 billion, an increase of $445.9 million, or 6.5 percent, as compared to the prior year. Increases were seen across many departments with outdoor power equipment, power tools, and impulse and front end showing the largest gains. New stores are defined as stores that were activated from January 2025 through September 2026. During the nine months ended October 3, 2026, the Company had an increase in wholesale merchandise revenues from new domestic stores of $188.2 million. This increase was partially offset by a decrease in wholesale merchandise revenues due to domestic store cancellations of $29.9 million. As a result, the Company realized a net increase in wholesale merchandise revenues of $158.3 million related to the impact of both new stores affiliated with the Company and from stores that cancelled their membership in 2025 and 2026. Wholesale merchandise revenues to comparable domestic stores increased $172.3 million compared to the prior year.

The number of the Company's domestic Ace retail outlets is summarized as follows:

	Nine Months Ended	
	October 3, 2026	September 27, 2025
Retail outlets at beginning of period	5,250	5,144
New retail outlets added	115	124
Retail outlet cancellations	(58)	(48)
Retail outlets at end of period	5,307	5,220

AWH revenues were $483.7 million during the nine months ended October 3, 2026, representing a $45.7 million increase in wholesale revenue from the prior year due to new customers.

AIH revenues were $135.7 million during the nine months ended October 3, 2026, representing a $2.2 million increase in wholesale revenue from the prior year.

ASH revenues were $145.0 million during the nine months ended October 3, 2026, representing a $0.3 million decrease from the prior year.

Revenues from Acehardware.com were $387.2 million during the nine months ended October 3, 2026, representing a $47.2 million increase from the prior year.

Retail revenues from ARG were $679.1 million during the nine months ended October 3, 2026, representing a $16.0 million, or 2.4 percent, increase from the prior year. ARG experienced same-store sales growth of 0.6 percent during the nine months ended October 3, 2026. The new stores opened by ARG since the beginning of 2025 contributed $15.0 million of incremental revenues during the nine months ended October 3, 2026.

Wholesale gross profit for the nine months ended October 3, 2026 was $1.1 billion, an increase of $92.2 million from the nine months ended September 27, 2025. The wholesale gross margin percentage was 14.5 percent of wholesale revenues for the nine-month period ended October 3, 2026, up from 14.2 percent for the period ended September 27, 2025. This increase in rate was primarily the result of the timing of income earned from vendors.

Retail gross profit for the nine months ended October 3, 2026 was $314.3 million, an increase of $11.3 million from the nine months ended September 27, 2025. The retail gross margin percentage was 46.3 percent of retail revenues for the nine-month period ended October 3, 2026, up from 45.7 percent for the period ended September 27, 2025. The increase in retail gross margin percentage was primarily due to vendor funds earned related to new store openings. For ARG, retail gross profit is based on the Company's wholesale acquisition cost of product, not ARG's acquisition cost which includes a markup from the Company.

Wholesale operating expenses increased $11.0 million, or 1.4 percent, in the nine months ended October 3, 2026 as compared to the nine months ended September 27, 2025. The increase is driven by marketing and advertising spending, professional fees and depreciation expense. Wholesale operating expenses as a percentage of wholesale revenues decreased to 10.6 percent in the first nine months of 2026 from 11.1 percent of wholesale revenues in the first nine months of 2025.

Retail operating expenses increased $14.8 million, or 6.1 percent, in the nine months ended October 3, 2026 as compared to the nine months ended September 27, 2025. The increase was driven by expenses related to the new stores added since the beginning of 2025. Retail operating expenses as a percent of retail revenue increased to 37.8 percent in the first nine months of 2026 from 36.5 percent in the first nine months of 2025.

Interest expense increased $1.9 million in the nine months ended October 3, 2026 due to higher average borrowings.

Other income, net increased $42.1 million in the nine months ended October 3, 2026 primarily due to a $43.4 million refund received during the nine months ended October 3, 2026 from U.S. Customs and Border Protection related to tariffs previously paid under IEEPA.

Liquidity and Capital Resources

The Company believes that existing cash balances, along with the existing lines of credit and long-term financing, will be sufficient to finance the Company's working capital requirements, debt service, patronage distributions, capital expenditures, share redemptions from Retailer cancellations and growth initiatives for at least the next 12 months.

The Company's borrowing requirements have historically arisen from, and are expected to continue to arise from, seasonal working capital needs, debt service, capital improvements and acquisitions, patronage distributions and other general corporate purposes. In the past, the Company has met its operational cash needs using cash flows from operating activities and funds from its revolving credit facilities. The Company currently estimates that its cash flows from operating activities and working capital, together with its lines of credit, will be sufficient to fund its short-term liquidity needs. Actual liquidity and capital funding requirements depend on numerous factors, including operating results, general economic conditions and the cost of capital.

The Company has a $1.1 billion line of credit facility. The facility is expandable to $1.4 billion through a $300.0 million accordion that is exercisable without the consent of existing lenders provided that the Company is not in default of the credit agreement and further provided that none of the existing lenders are required to provide any portion of the increased facility. At the Company's discretion, borrowings under the credit facility bear interest at a rate of either 25 to 100 basis points over the prime rate or 125 to 200 basis points over the Secured Overnight Financing Rate ("SOFR"), depending on the Company's leverage ratio. The credit facility was priced at SOFR plus 150 basis points at October 3, 2026. Fees on the unused portion of the line of credit range from 17.5 to 27.5 basis points depending on the Company's leverage ratio. The credit facility expires on January 24, 2028. As of October 3, 2026, the Company was in compliance with its covenants and had $443.1 million in borrowings outstanding under the credit facility.

The credit facility includes a $175.0 million sublimit for the issuance of standby and commercial letters of credit. As of October 3, 2026, a total of $43.4 million in letters of credit were outstanding.

The credit facility allows the Company to make revolving loans and other extensions of credit to AIH in an aggregate principal amount not to exceed $100.0 million at any time. As of October 3, 2026, there were $11.0 million in loans or other extensions of credit provided to AIH.

The Company's ARG subsidiary has a $175.0 million asset-based revolving credit facility ("ARG Facility") that expires on December 31, 2030. The facility is expandable to $200.0 million through a $25.0 million accordion that is exercisable without the consent of existing lenders provided that the Company is not in default of the credit agreement and further provided that none of the existing lenders are required to provide a portion of the increased facility. Under this facility, ARG has the right to issue letters of credit up to a maximum of $7.5 million. Borrowings under this facility bear interest at a rate of either the prime rate plus an applicable spread of 25 to 50 basis points or SOFR plus an applicable spread of 125 to 150 basis points, depending on ARG's average availability under the ARG Facility as measured on a trailing 12-month basis. The ARG Facility was priced at SOFR plus 125 basis points at October 3, 2026.

The ARG Facility is collateralized by substantially all of ARG's tangible and intangible assets. Borrowings under the facility are subject to a borrowing base calculation consisting of certain advance rates applied to eligible collateral balances (primarily consisting of certain receivables and inventories). This agreement requires maintenance of certain financial covenants including a minimum fixed charge coverage ratio. As of October 3, 2026, ARG was in compliance with its covenants and had $108.2 million in borrowings outstanding under the ARG Facility.

The ARG Facility includes a lender-controlled cash concentration system that results in all of ARG's daily available cash being applied to the outstanding borrowings under their facility. Pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification Section 470-10-45, "Classification of Revolving Credit Agreements Subject to Lock-Box Arrangements and Subjective Acceleration Clauses," all borrowings under the ARG Facility are classified as a Current maturity of long-term debt.

As of October 3, 2026, total debt was $601.6 million, consisting of $551.3 million borrowed on lines of credit and $50.3 million owed to former Retailers.

Cash Flows

The Company had $33.1 million and $37.7 million of cash and cash equivalents at October 3, 2026 and September 27, 2025, respectively. Following is a summary of the Company's cash flows from operating, investing and financing activities for the first nine months of 2026 and 2025, respectively (in millions):

	2026	2025
Cash provided by operating activities before changes in assets and liabilities	$ 496.5	$ 378.7
Net changes in assets and liabilities	(276.2)	(181.4)
Net cash provided by operating activities	220.3	197.3
Net cash used in investing activities	(152.0)	(238.1)
Net cash (used in) provided by financing activities	(82.0)	42.2
Net change in cash and cash equivalents	$ (13.7)	$ 1.4

The Company's operating activities provided $220.3 million of cash during the first nine months of 2026 compared to $197.3 million provided in 2025. Excluding the impact of net changes in assets and liabilities, cash provided by operating activities increased $117.8 million from $378.7 million in the first nine months of 2025 to $496.5 million in the first nine months of 2026 due to a $118.7 million increase in net income.

The net change in assets and liabilities used $276.2 million of cash in the first nine months of 2026 compared to $181.4 million used in the first nine months of 2025. Accounts receivable and inventories increased $322.0 million during the first nine months of 2026 compared to an increase of $215.1 million during the first nine months of 2025. The higher combined increases in accounts receivable and inventories in 2026 were driven by higher sales volumes.

Net cash used in investing activities was $152.0 million in the first nine months of 2026 compared to $238.1 million in the first nine months of 2025. Investing activities in 2026 primarily consisted of $101.2 million in capital expenditures, $39.3 million increase in notes receivable for Retailer loan programs and $11.8 million in cash paid to acquire businesses. Investing activities in 2025 primarily consisted of $201.9 million in capital expenditures, $17.7 million increase in notes receivable for Retailer loan programs and $15.5 million in cash paid to acquire businesses.

Net cash used in financing activities was $82.0 million in the first nine months of 2026 compared to $42.2 million of net cash provided by financing activities during the first nine months of 2025. During 2026, the Company had $134.9 million of increased borrowings under its revolving credit facilities, paid $139.3 million for the cash portion of the 2025 patronage distribution, made principal payments on finance leases of $39.5 million, made payments on long-term debt of $16.6 million and paid $14.5 million on patronage refund certificates. During 2025, the Company had $265.7 million of increased borrowings under its revolving credit facilities, paid $137.8 million for the cash portion of the 2024 patronage distribution, made principal payments on finance leases of $36.2 million, paid $28.7 million on patronage refund certificates and made payments on long-term debt of $15.1 million.

Contractual Obligations and Commitments

For the nine months ended October 3, 2026, there have been no significant changes to the Company's contractual obligations and commitments as disclosed in its 2025 Annual Report.

Critical Accounting Policies and Estimates

For a description of the Company's critical accounting policies and estimates, please see the Application of Critical Accounting Policies and Estimates section in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of the Company's 2025 Annual Report.

Qualitative and Quantitative Disclosure About Market Risk

The Company is exposed to market risk in the normal course of its business operations, including the risk of loss from inflation and changes in price, foreign currency, interest rates and customer credit risk.

Certain Other Risks

The Company relies extensively on information technology systems, some of which are managed or provided by third-party service providers, to analyze, process, store, manage and protect transactions and data. In managing the business, the Company also relies heavily on the integrity of, security of and consistent access to this data for information such as customer data, merchandise planning and inventory replenishment, supplier purchases, sales to Retailers, warehousing, distribution, inventory control, and various corporate-level financial and other functions including communication with Retailers. The Company's systems and the systems managed by third parties are subject to damage or interruption from a number of causes, including power outages; computer and telecommunications failures; computer viruses; security breaches or cyber-attacks. Although the Company and the third-party service providers seek to maintain the Company's respective systems effectively and to successfully address the risk of compromise of the integrity, security and consistent operations of these systems, such efforts may not be successful. If the Company's or our service providers' systems are damaged, breached or cease to function properly, this could significantly disrupt the Company's operations and be costly, time-consuming and resource-intensive to remedy.

The Company and its third-party system providers receive, collect and store personally identifiable, confidential, proprietary and other information from our vendors, customers and employees so that they may, among other things, purchase products or services and enroll in promotional programs. Any breach of the Company's or its third-party system providers' security could result in significant costs to protect any customers, vendors, employees, and other parties whose personal data is compromised. Loss of customer, supplier, employee or other business information could disrupt operations, damage the Company's reputation and expose the Company to claims from customers, vendors, financial institutions, regulators, payment card associations, employees and others, any of which could have a material adverse effect on the Company, its financial condition and results of operations**.**

The Company imports inventory from manufacturers outside the United States, particularly in Asia. Importing involves risks including duties, tariffs, quotas on imported merchandise and potential disruptions resulting from geopolitical problems in countries from which merchandise is imported. Our ability to manage the importing of goods from overseas, their production, timing of deliveries and U.S. Customs-related compliance is an important component of our merchandising strategy. Geopolitical issues and military conflicts outside of the United States may increase the likelihood of supply chain interruptions and have a negative impact on our import activities.

The Company continues to monitor these market forces and risks but cannot reasonably predict the long-term impacts of these evolving developments.

Disclosure Regarding Forward-Looking Statements

This document includes certain forward-looking statements about the expectations of the Company. Although the Company believes these statements are based on reasonable assumptions, actual results may vary materially from stated expectations. Such forward-looking statements may be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "expect," "intend," "may," "planned," "potential," "should," "will," "would," "project," "estimate," "ultimate," or similar phrases. Actual results may differ materially from those indicated in the Company's forward-looking statements and undue reliance should not be placed on such statements.

Factors that could cause materially different results include, but are not limited to, weather conditions, natural disasters, civil unrest; pandemics; acts of terrorism; fair value accounting adjustments; inventory valuation; health care costs; insurance costs or recoveries; legal costs; borrowing needs; interest rates; credit conditions; economic and market conditions; increases in fuel costs; accidents, leaks, equipment failures, ransomware attacks, cybersecurity incidents, technology disruptions and other operating risks; legislative actions; change in tax laws and tax rulings or audit results; asset sales; ineffective integration of acquired businesses; significant unplanned capital needs; changes in accounting principles, interpretations, methods, judgments or estimates; performance of major customers; reliance on third-party transporters, suppliers and contractors and interruption of product supply or increases in product costs due to inflation and increased tariffs; labor relations, increased labor costs and continued access to qualified labor.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. The Company undertakes no obligation to publicly release any revision to these forward-looking statements to reflect events or circumstances after the date of this report.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements presented in this Quarterly Report have been prepared with integrity and objectivity and are the responsibility of the management of Ace Hardware Corporation. These consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles and properly reflect certain estimates and judgments based upon the best available information.

The Company maintains a system of internal accounting controls, which is supported by an internal audit program and is designed to provide reasonable assurance, at an appropriate cost, that the Company's assets are safeguarded and transactions are properly recorded. This system is continually reviewed and modified in response to changing business conditions and operations and as a result of recommendations by the internal and external auditors. In addition, the Company has distributed to employees its policies for conducting business affairs in a lawful and ethical manner.

The Audit and Finance Committee of the Board of Directors meets periodically with the independent auditors and with the Company's internal auditors, both privately and with management present, to review accounting, auditing, internal control and financial reporting matters. The Audit and Finance Committee recommends to the full Board of Directors the selection of the independent auditors and regularly reviews the internal accounting controls, the activities of the outside auditors and internal auditors and the financial condition of the Company. Both the Company's independent auditors and the internal auditors have free access to the Audit and Finance Committee.

November 10, 2026

/s/ John Venhuizen
John Venhuizen
President and Chief Executive Officer

/s/ William M. Guzik
William M. Guzik
Executive Vice President,
Chief Financial Officer and Chief Risk Officer

/s/ Steven G. Locanto
Steven G. Locanto
Vice President, Controller