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9 **UNITED STATES DISTRICT COURT**
10 **NORTHERN DISTRICT OF CALIFORNIA**
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12 TREVOR JONES, Individually and on Behalf
13 of All Others Similarly Situated,

14 Plaintiff,

15 v.

16 GROCERY OUTLET HOLDING CORP.,
17 JASON POTTER, and CHRISTOPHER M.
MILLER,

Defendants.

Case No.

**CLASS ACTION COMPLAINT FOR
VIOLATIONS OF THE FEDERAL
SECURITIES LAWS**

JURY TRIAL DEMANDED

1 Plaintiff Trevor Jones (“Plaintiff”), individually and on behalf of all others similarly situated,
2 by and through his attorneys, alleges the following upon information and belief, except as to those
3 allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff’s information
4 and belief is based upon, among other things, his counsel’s investigation, which includes without
5 limitation: (a) review and analysis of regulatory filings made by Grocery Outlet Holding Corp.
6 (“Grocery Outlet” or the “Company”) with the United States (“U.S.”) Securities and Exchange
7 Commission (“SEC”); (b) review and analysis of press releases and media reports issued by and
8 disseminated by Grocery Outlet; and (c) review of other publicly available information concerning
9 Grocery Outlet.

10 **NATURE OF THE ACTION AND OVERVIEW**

11 1. This is a class action on behalf of persons and entities that purchased or otherwise
12 acquired Grocery Outlet securities between August 5, 2025 and March 4, 2026, inclusive (the “Class
13 Period”). Plaintiff pursues claims against the Defendants under the Securities Exchange Act of 1934
14 (the “Exchange Act”).

15 2. Grocery Outlet Holding Corp. operates as a retailer of consumables and fresh
16 products sold through independently operated stores in the United States. The Company initiated a
17 restructuring plan during the fourth quarter of fiscal 2024, which was purportedly substantially
18 completed in the second quarter of fiscal 2025, intended to improve long-term profitability, cash
19 flow generation and return on invested capital, optimize the footprint of new store growth and lower
20 the Company’s cost base (the “Restructuring Plan”). From the second quarter of fiscal 2025
21 onwards, the Company touted its strong financial and operating performance, driven by rapid new
22 store openings each quarter, supported by the success of the Restructuring Plan.

23 3. On March 4, 2026, after the market closed, Grocery Outlet announced results for the
24 fourth quarter and full fiscal year 2025, revealing the Company’s full year financial results which
25 missed guidance on nearly every major financial metric. The Company reported full year 2025
26 adjusted EBITDA of \$254.3 million (missing prior guidance of \$258 at the low end); net sales of
27 \$4.69 billion, (missing prior guidance of \$4.70 billion at the low end); comparable store sales which
28

1 increased by 0.5% on a 52-week basis (missing prior guidance of 0.6% to 0.9%), and diluted
2 adjusted earnings per share of \$0.76 (missing prior guidance of \$0.78 at the low end). Moreover,
3 the Company revealed it was adding an additional “optimization plan” on top of its “restructuring
4 plan,” and “reshaping [its] new store growth strategy” including the “closure of 36 financially
5 underperforming stores.” Further, the Company also “determined that the long-lived assets of the
6 Closure Stores were impaired, and recognized \$110 million of non-cash charges in Impairment of
7 long-lived assets on the condensed consolidated statements of operations and comprehensive
8 income (loss).” Finally, the Company stated that it estimates “between \$14 million and \$25 million
9 in net total restructuring charges in fiscal 2026, including between \$51 million and \$63 million of
10 estimated cash expenditures primarily for lease termination fees, and between \$11 million and \$14
11 million of bad debt expense, partially offset by net non-cash write-off of right-of-use assets and
12 lease liabilities associated with these leases of between \$(48) million and \$(52) million.”
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15 4. On the same date, the Company held an earnings call in conjunction with releasing
16 fourth quarter 2025 results. During the earnings call, the Company’s CEO, Defendant Potter, further
17 revealed that the Company had “made the difficult decision to close 36 locations” in part because
18 “it’s clear now that we expanded too quickly, and these closures are a direct correction.”
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20 5. On this news, Grocery Outlet’s stock price fell \$2.45, or 27.9%, to close at \$6.34 per
21 share on March 5, 2026, on unusually heavy trading volume.

22 6. Throughout the Class Period, Defendants made materially false and/or misleading
23 statements, as well as failed to disclose material adverse facts about the Company’s business,
24 operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) the Company
25 had “expanded too quickly” into new stores; (2) the Company’s purportedly strong financial and
26 operational growth was being artificially supported by excessive rapid store expansion; (3) as a
27 result, the Company was unable to achieve the sustainable growth required to meet its previously
28 set guidance; (4) the Company’s Restructuring Plan would require further Optimization to achieve

1 its operational goals, including significant store closures and asset write-downs; and (5) that, as a
2 result of the foregoing, Defendants' positive statements about the Company's business, operations,
3 and prospects were materially misleading and/or lacked a reasonable basis.

4 7. As a result of Defendants' wrongful acts and omissions, and the precipitous decline
5 in the market value of the Company's securities, Plaintiff and other Class members have suffered
6 significant losses and damages.

7 **JURISDICTION AND VENUE**

8 8. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act
9 (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. §
10 240.10b-5).

11 9. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C.
12 § 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

13 10. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section
14 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud
15 or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein,
16 including the dissemination of materially false and/or misleading information, occurred in
17 substantial part in this Judicial District. In addition, the Company's principal executive offices are
18 located in this District.

19 11. In connection with the acts, transactions, and conduct alleged herein, Defendants
20 directly and indirectly used the means and instrumentalities of interstate commerce, including the
21 United States mail, interstate telephone communications, and the facilities of a national securities
22 exchange.

23 **PARTIES**

24 12. Plaintiff Trevor Jones, as set forth in the accompanying certification, incorporated
25 by reference herein, purchased Grocery Outlet securities during the Class Period, and suffered
26 damages as a result of the federal securities law violations and false and/or misleading statements
27 and/or material omissions alleged herein.

Materially False and Misleading

Statements Issued During the Class Period

18. The Class Period begins on August 5, 2026.¹ On that day, Grocery Outlet announced its financial results for the fiscal quarter ended June 28, 2025. The press release touted, among other things, that “[n]et sales increased 4.5% to \$1.18 billion during the second quarter” which the Company attributed to the fact the Company continued to add “*new store sales*,” including the opening of “11 new stores” in the second quarter alone. The Company also noted that the Restructuring Plan intended to, among other things “optimize the footprint of new store growth and lower the cost base” was “substantially completed in the second quarter of fiscal 2025.” The press release concluded with the Company reaffirming its full year guidance figures for fiscal 2025, other than earnings per share, which was increased. Specifically, the press release stated as follows, in relevant part:

Highlights for Second Quarter Fiscal 2025 as compared to Second Quarter Fiscal 2024:

- Net sales increased by 4.5% to \$1.18 billion.
- Comparable store sales increased by 1.1%.
- Gross margin was 30.6% compared to 30.9% last year.
- SG&A increased by 4.2% to \$336.8 million.
- Operating income was \$12.8 million, which included \$11.2 million in restructuring charges.
- Net income was \$5.0 million, or \$0.05 per diluted share, compared to net income of \$14.0 million, or \$0.14 per diluted share last year. Adjusted net income was \$22.8 million, or \$0.23 diluted adjusted earnings per share, compared to \$25.1 million, or \$0.25 diluted adjusted earnings per share last year.
- Adjusted EBITDA was \$67.7 million, representing 5.7% of net sales.

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Second Quarter Fiscal 2025 Financial Summary

Net sales increased 4.5% to \$1.18 billion during the second quarter due to new store sales and a 1.1% increase in comparable store sales, which was positively impacted by the timing shift of the Easter holiday compared to the prior year. The increase in comparable store sales was driven by a 1.5% increase in the number of transactions, partially offset by a 0.4% decrease in average transaction size. We opened 11 new stores and closed two stores, ending the quarter with 552 stores in 16 states. Starting in the second quarter of fiscal 2025, comparable stores sales include the addition of stores from the acquisition of United Grocery Outlet on April 1, 2024.

¹ Unless otherwise stated, all emphasis in bold and italics hereinafter is added.

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Restructuring Plan:

The Company initiated a restructuring plan during the fourth quarter of fiscal 2024, with continuing implementation in fiscal 2025, intended to improve long-term profitability, cash flow generation and return on invested capital, optimize the footprint of new store growth and lower the Company's cost base (the "Restructuring Plan"). The Restructuring Plan includes (i) the termination of a total of 28 leases for unopened stores in suboptimal locations and the discontinued development of certain future store sites where we had incurred initial costs, but leases had not yet been signed, (ii) the cancellation of certain capital-intensive warehouse projects and (iii) a reduction in headcount in building a more scalable cost structure. As of June 28, 2025, the Company estimates that it will incur total costs under the Restructuring Plan of approximately \$63 million, of which approximately \$39 million is expected to be cash expenditures. All costs incurred during the second quarter and first half of fiscal 2025 are included in Restructuring charges on the condensed consolidated statements of operations and comprehensive income (loss). The actions under the Restructuring Plan were substantially completed in the second quarter of fiscal 2025.

Outlook:

The Company is maintaining key guidance figures for fiscal 2025, other than diluted adjusted earnings per share which are updated as shown in the current guidance as follows:

	<u>Previous</u>	<u>Current</u>
New store openings, net	33 to 35	33 to 35
Net sales	\$4.7 billion to \$4.8 billion	\$4.7 billion to \$4.8 billion
Comparable store sales increase ⁽³⁾	1.0% to 2.0%	1.0% to 2.0%
Gross margin	30.0%-30.5%	30.0%-30.5%
Adjusted EBITDA ⁽¹⁾	\$260 million to \$270 million	\$260 million to \$270 million
Diluted adjusted earnings per share ⁽¹⁾	\$0.70 to \$0.75	\$0.75 to \$0.80
Capital expenditures (net of tenant improvement allowances)	\$210 million	\$210 million

19. On August 6, 2025, the Company submitted its quarterly report for the period ended June 28, 2025 on a Form 10-Q filed with the SEC, affirming the previously reported financial results and further reporting additional financial and operations data concerning new stores opened. Specifically, the report stated as follows, in relevant part:

	June 28, 2025	December 28, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 55,190	\$ 62,828
Independent operator receivables and current portion of independent operator notes, net of allowance \$9,780 and \$5,770	16,179	16,051
Other accounts receivable, net of allowance \$9 and \$9	4,544	4,166
Merchandise inventories	398,225	394,152
Prepaid expenses and other current assets	27,397	26,701
Total current assets	501,535	503,898
Independent operator notes and receivables, net of allowance \$13,398 and \$12,709	39,603	36,441
Property and equipment, net	806,740	750,423
Operating lease right-of-use assets	1,105,419	1,014,678
Intangible assets, net	80,681	78,778
Goodwill	782,835	782,734
Other assets	5,563	6,869
Total assets	\$ 3,322,376	\$ 3,173,821

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	13 Weeks Ended		26 Weeks Ended			
	June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024		
Net sales	\$ 1,179,772	\$ 1,128,520	\$ 2,305,339	\$ 2,165,464		
Cost of sales	819,079	779,280	1,602,201	1,512,279		
Gross profit	360,693	349,240	703,138	653,185		
Selling, general and administrative expenses	336,764	323,135	667,842	626,517		
Restructuring charges	11,157	—	45,032	—		
Operating income (loss)	12,772	26,105	(9,736)	26,668		
Interest expense, net	6,544	5,559	13,064	8,735		
Income (loss) before income taxes	6,228	20,546	(22,800)	17,933		
Income tax expense (benefit)	1,267	6,545	(4,444)	4,957		
Net income (loss) and comprehensive income (loss)	\$ 4,961	\$ 14,001	\$ (18,356)	\$ 12,976		
Basic earnings (net loss) per share	\$ 0.05	\$ 0.14	\$ (0.19)	\$ 0.13		
Diluted earnings (net loss) per share	\$ 0.05	\$ 0.14	\$ (0.19)	\$ 0.13		
Weighted-average shares outstanding:						
Basic	98,081	99,542	97,801	99,531		
Diluted	98,460	100,369	97,801	100,753		

	13 Weeks Ended		26 Weeks Ended	
	June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024
Other Financial and Operations Data				
Number of new stores ⁽¹⁾	11	51	22	57
Number of stores open at end of period	552	524	552	524
Comparable store sales increase ⁽²⁾	1.1 %	2.9 %	0.7 %	3.4 %
EBITDA ⁽³⁾	\$ 44,106	\$ 52,650	\$ 51,495	\$ 78,102
Adjusted EBITDA ⁽³⁾	\$ 67,747	\$ 67,878	\$ 119,632	\$ 107,273
Adjusted net income ⁽³⁾	\$ 22,766	\$ 25,095	\$ 35,773	\$ 33,904

New Store Growth. Planned construction and opening of new stores has been, and may continue to be, negatively impacted due to both increased lead times to acquire materials, obtain permits and licenses, hook up utilities as well as higher construction and development related costs. Recently implemented and proposed tariffs could further impact our constructions costs.

Our new store growth efforts are focused on organic growth combined with complementary real estate opportunities that align with our long-term geographic expansion and store growth strategies. Complementary growth opportunities may include expanding strategic relationships with large property owners, evaluating

acquisitions of opportunistic real estate that become available through consolidation in the retail sector, and exploring strategic regional acquisitions of operating businesses. On April 1, 2024, we acquired The Bargain Barn, Inc., a Tennessee corporation doing business as United Grocery Outlet (“United Grocery Outlet”), which included 40 stores in six adjacent states we did not operate in as of such date (Tennessee, North Carolina, Georgia, Alabama, Kentucky and Virginia) and a company-operated distribution center. The acquisition provides us with the opportunity to scale in a new region and is a platform for potential future expansion in the Southeast. Our near-term integration focus is expanding the assortment, investing in store refreshes and new fixtures and introducing some of our marketing programs to the Southeast region. We opened 22 stores and closed 3 stores in the first half of fiscal 2025 and plan to open 33 to 35 net new stores in fiscal 2025.

20. On November 4, 2025, Grocery Outlet announced its financial results for the fiscal quarter ended September 27, 2025 including that “Net sales increased by 5.4% to \$1.17 billion” which the Company attributed to the fact the Company continued to add “*new store sales*,” including the opening of “13 new stores” in the second quarter alone. The Company also noted that the Restructuring Plan intended to, among other things “optimize the footprint of new store growth and lower the cost base” was “substantially completed in the second quarter of fiscal 2025.” The press release concluded with the Company revised full year guidance figures for fiscal 2025. Specifically, the press release stated as follows, in relevant part:

Highlights for Third Quarter Fiscal 2025 as compared to Third Quarter Fiscal 2024:

- Net sales increased by 5.4% to \$1.17 billion.
- Comparable store sales increased by 1.2%.
- Gross margin was 30.4% compared to 31.1% last year.
- SG&A increased by 8.7% to \$331.0 million.
- Operating income was \$22.8 million, which included \$1.3 million in restructuring charges.
- Net income was \$11.6 million, or \$0.12 per diluted share, compared to \$24.2 million, or \$0.24 per diluted share last year. Adjusted net income was \$20.7 million, or \$0.21 diluted adjusted earnings per share, compared to \$27.9 million, or \$0.28 diluted adjusted earnings per share last year.
- Adjusted EBITDA was \$66.7 million, representing 5.7% of net sales.

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Third Quarter Fiscal 2025 Financial Summary

Net sales increased 5.4% versus last year to \$1.17 billion due to new store sales and a 1.2% increase in comparable store sales. The increase in comparable store sales was driven by a 1.8% increase in the number of transactions, partially offset by a 0.6% decrease in average transaction size. We opened 13 new stores and closed two stores, ending the quarter with 563 stores in 16 states.

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Restructuring Plan:

As previously reported, the Company initiated a restructuring plan during the fourth quarter of fiscal 2024, with continued implementation in fiscal 2025, intended to improve long-term profitability, cash flow generation and return on invested capital, optimize the footprint of new store growth and lower the Company's cost base (the "Restructuring Plan"). The Restructuring Plan included (i) the termination of a total of 28 leases for unopened stores in suboptimal locations and the discontinued development of certain future store sites where we had incurred initial costs, but leases had not yet been signed, (ii) the cancellation of certain capital-intensive warehouse projects and (iii) a reduction in headcount in building a more scalable cost structure. As of September 27, 2025, the Company incurred total costs under the Restructuring Plan of \$62 million, of which \$38 million were cash expenditures. All costs incurred during the third quarter and first three quarters of fiscal 2025 are included in Restructuring charges on the condensed consolidated statements of operations and comprehensive income (loss). The actions under the Restructuring Plan were substantially completed in the second quarter of fiscal 2025.

Outlook:

The Company has revised key guidance figures for fiscal 2025 as shown in the current guidance as follows:

	<u>Previous</u>	<u>Current</u>
New store openings, net	33 to 35	37
Net sales	\$4.7 billion to \$4.8 billion	\$4.70 billion to \$4.72 billion
Comparable store sales increase ⁽²⁾	1.0% to 2.0%	0.6% to 0.9%
Gross margin	30.0%-30.5%	30.3%-30.4%
Adjusted EBITDA ⁽¹⁾	\$260 million to \$270 million	\$258 million to \$262 million
Diluted adjusted earnings per share ⁽¹⁾	\$0.75 to \$0.80	\$0.78 to \$0.80
Capital expenditures (net of tenant improvement allowances)	\$210 million	\$210 million

21. On November 5, 2026, the Company submitted its quarterly report for the period ended September 27, 2025 on a Form 10-Q filed with the SEC, affirming the previously reported financial results and further reporting additional financial and operations data concerning new stores opened. Specifically, the report stated as follows, in relevant part:

	September 27, 2025	December 28, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 52,125	\$ 62,828
Independent operator receivables and current portion of independent operator notes, net of allowance \$11,551 and \$5,770	15,511	16,051
Other accounts receivable, net of allowance \$9 and \$9	3,641	4,166
Merchandise inventories	417,846	394,152
Prepaid expenses and other current assets	28,335	26,701
Total current assets	517,458	503,898
Independent operator notes and receivables, net of allowance \$14,015 and \$12,709	41,207	36,441
Property and equipment, net	818,130	750,423
Operating lease right-of-use assets	1,123,785	1,014,678
Intangible assets, net	80,098	78,778
Goodwill	782,835	782,734
Other assets	5,125	6,869
Total assets	<u>\$ 3,368,638</u>	<u>\$ 3,173,821</u>

	*	*	*	
	13 Weeks Ended		39 Weeks Ended	
	September 27, 2025	September 28, 2024	September 27, 2025	September 28, 2024
Net sales	\$ 1,168,153	\$ 1,108,183	\$ 3,473,492	\$ 3,273,647
Cost of sales	813,017	763,311	2,415,218	2,275,590
Gross profit	355,136	344,872	1,058,274	998,057
Selling, general and administrative expenses	331,016	304,586	998,858	931,103
Restructuring charges	1,296	—	46,328	—
Operating income	22,824	40,286	13,088	66,954
Interest expense, net	6,705	6,439	19,769	15,174
Income (loss) before income taxes	16,119	33,847	(6,681)	51,780
Income tax expense	4,514	9,669	70	14,626
Net income (loss) and comprehensive income (loss)	\$ 11,605	\$ 24,178	\$ (6,751)	\$ 37,154
Basic earnings (net loss) per share	\$ 0.12	\$ 0.25	\$ (0.07)	\$ 0.37
Diluted earnings (net loss) per share	\$ 0.12	\$ 0.24	\$ (0.07)	\$ 0.37
Weighted-average shares outstanding:				
Basic	98,160	98,359	97,921	99,140
Diluted	98,705	98,933	97,921	100,146

	13 Weeks Ended		39 Weeks Ended	
	September 27, 2025	September 28, 2024	September 27, 2025	September 28, 2024
Other Financial and Operations Data				
Number of new stores ⁽¹⁾	13	5	35	62
Number of stores open at end of period	563	529	563	529
Comparable store sales increase ⁽²⁾	1.2 %	1.2 %	0.9 %	2.6 %
EBITDA ⁽³⁾	\$ 56,214	\$ 68,101	\$ 107,709	\$ 146,203
Adjusted EBITDA ⁽³⁾	\$ 66,668	\$ 72,258	\$ 186,300	\$ 179,531
Adjusted net income ⁽³⁾	\$ 20,687	\$ 27,853	\$ 56,460	\$ 61,757

New Store Growth. Planned construction and opening of new stores has been, and may continue to be, negatively impacted due to both increased lead times to acquire materials, obtain permits and licenses, hook up utilities as well as higher construction and development related costs. Recently implemented and proposed tariffs could further impact our constructions costs.

Our new store growth efforts are focused on organic growth combined with complementary real estate opportunities that align with our long-term geographic expansion and store growth strategies. Complementary growth opportunities may include expanding strategic relationships with large property owners, evaluating acquisitions of opportunistic real estate that become available through consolidation in the retail sector, and exploring strategic regional acquisitions of operating businesses. On April 1, 2024, we acquired The Bargain Barn, Inc., a Tennessee corporation doing business as United Grocery Outlet (“United Grocery Outlet”), which included 40 stores in six adjacent states we did not operate in as of such date (Tennessee, North Carolina, Georgia, Alabama, Kentucky and Virginia) and a company-operated distribution center. The acquisition provides us with the opportunity to scale in a new region and is a platform for potential future expansion in the Southeast. Our near-term integration focus is expanding the assortment, investing in store refreshes and new fixtures and introducing some of our marketing programs to the Southeast region. We opened 35 stores and closed 5 stores in the first three quarters of fiscal 2025 and plan to open 37 net new stores in fiscal 2025.

22. The above statements identified in ¶¶18-21 were materially false and/or misleading, and failed to disclose material adverse facts about the Company's business, operations, and

1 prospects. Specifically, Defendants failed to disclose to investors: (1) the Company had “expanded
 2 too quickly” into new stores; (2) the Company’s purportedly strong financial and operational growth
 3 was being artificially supported by excessive, rapid store expansion; (3) as a result, the Company
 4 was unable to achieve the sustainable growth required to meet its previously set guidance; (4) the
 5 Company’s Restructuring Plan would require further Optimization to achieve its operational goals,
 6 including significant store closures and asset write-downs; and (5) that, as a result of the foregoing,
 7 Defendants’ positive statements about the Company’s business, operations, and prospects were
 8 materially misleading and/or lacked a reasonable basis.

9 **Disclosures at the End of the Class Period**

10 23. On March 4, 2026, after the market closed, Grocery Outlet announced results for the
 11 fourth quarter and full fiscal year 2025, revealing the Company’s full year financial results which
 12 missed guidance on nearly every major financial metric. The Company reported full year 2025
 13 adjusted EBITDA of \$254.3 million (missing prior guidance of \$258 at the low end); net sales of
 14 \$4.69 billion, (missing prior guidance of \$4.70 billion at the low end); comparable store sales which
 15 increased by 0.5% on a 52-week basis (missing prior guidance of 0.6% to 0.9%), and diluted
 16 adjusted earnings per share of \$0.76 (missing prior guidance of \$0.78 at the low end). Moreover,
 17 the Company revealed it was adding an additional “optimization plan” on top of its “restructuring
 18 plan,” and “reshaping [its] new store growth strategy” including the “closure of 36 financially
 19 underperforming stores.” Further, the Company also “determined that the long-lived assets of the
 20 Closure Stores were impaired, and recognized \$110 million of non-cash charges in Impairment of
 21 long-lived assets on the condensed consolidated statements of operations and comprehensive
 22 income (loss).” Finally, the Company stated that it estimates “between \$14 million and \$25 million
 23 in net total restructuring charges in fiscal 2026, including between \$51 million and \$63 million of
 24 estimated cash expenditures primarily for lease termination fees, and between \$11 million and \$14
 25 million of bad debt expense, partially offset by net non-cash write-off of right-of-use assets and
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1 lease liabilities associated with these leases of between \$(48) million and \$(52) million.”

2 Specifically, the press release stated as follows, in relevant part:

3 **Highlights for Fourth Quarter Fiscal 2025 as compared to Fourth Quarter**
 4 **Fiscal 2024:**

- 5 •Net sales increased by 10.7% to \$1.22 billion, which includes \$82.4 million from the 53rd week.
- 6 •Comparable store sales declined by 0.8% on a 13-week basis.
- 7 •Gross margin was 29.7% compared to 29.5% last year.
- 8 •Operating loss was \$234.8 million, which included \$110.2 million in non-cash impairment of long-lived assets and \$149.0 million in non-cash goodwill impairment.
- 9 •Net loss was \$218.2 million, or \$(2.22) per diluted share, compared to net income of \$2.3 million, or \$0.02 per diluted share last year. Adjusted net income(1) was \$18.7 million, or \$0.19 diluted adjusted earnings per share(1), compared to \$14.5 million, or \$0.15 diluted adjusted earnings per share(1) last year.
- 10 •Adjusted EBITDA(1) was \$68.0 million, representing 5.6% of net sales.

11 **Highlights for Fiscal 2025 as compared to Fiscal 2024:**

- 12 •Net sales increased by 7.3% to \$4.69 billion.
- 13 •Comparable store sales increased by 0.5% on a 52-week basis.
- 14 •Gross margin was 30.3% compared to 30.2% last year.
- 15 •Operating loss was \$221.7 million, which included \$113.8 million in non-cash impairment of long-lived assets, \$45.9 million in restructuring charges and \$149.0 million in non-cash goodwill impairment.
- 16 •Net loss was \$224.9 million, or \$(2.30) per diluted share, compared to net income of \$39.5 million, or \$0.40 per diluted share last year. Adjusted net income(1) was \$75.2 million, or \$0.76 diluted adjusted earnings per share(1), compared to \$76.3 million, or \$0.77 diluted adjusted earnings per share(1) last year.
- 17 •Adjusted EBITDA(1) increased by 7.4% to \$254.3 million, representing 5.4% of net sales.

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19 “We made progress on our strategic priorities in 2025; however, our fourth-quarter results made clear that we have more work to do, and we’re moving quickly,” said Jason Potter, President and CEO of Grocery Outlet. “Consumer pressure intensified, federally funded benefits were delayed, and competition grew more promotional in the fourth quarter. In response, we have begun to sharpen our focus on what matters most: delivering clearer value and a better in-store experience. We’re intensely focused on restoring the opportunistic mix to rebuild value perception with the customer and advancing our store refresh program, and we’re already seeing early, measurable improvements. At the same time, we’re closing underperforming stores, reshaping our new store growth strategy and reallocating resources to strengthen operating results and returns on capital. We are confident that we have identified the core challenges, and now have the right plans in place and the right team to execute them.”

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27 **Optimization Plan and Restructuring Plan:**

1 To strengthen long-term profitability and cash flow generation, improve operational
2 execution, optimize our existing store footprint and align with our disciplined new
3 store growth strategy, in the first quarter of fiscal 2026 we conducted a strategic,
4 financial and operational analysis of our store fleet. Following that review, on
5 March 2, 2026, our Board of Directors adopted the Optimization Plan that provides
6 for the closure of 36 financially underperforming stores, including the termination or
sublease of the applicable store leases, the termination or sublease of a lease for a
distribution center facility that we are no longer utilizing, and the termination of
operator agreements with independent operators (“IOs”) for the applicable store
locations as well as certain other store locations. These actions under the
Optimization Plan are expected to be substantially completed during fiscal 2026.

7 In addition, preceding the adoption of the Optimization Plan, during the reporting
8 process for the audited consolidated financial statements for fiscal 2025, we
9 determined that the long-lived assets of the Closure Stores were impaired, and
10 recognized \$110 million of non-cash charges in Impairment of long-lived assets on
the condensed consolidated statements of operations and comprehensive income
(loss).

11 In connection with the Optimization Plan, we currently estimate we will incur
12 between \$14 million and \$25 million in net total restructuring charges in fiscal 2026,
13 including between \$51 million and \$63 million of estimated cash expenditures
14 primarily for lease termination fees, and between \$11 million and \$14 million of bad
debt expense, partially offset by net non-cash write-off of right-of-use assets and
lease liabilities associated with these leases of between \$(48) million and \$(52)
million.

15 In addition to the above costs, we estimate that our fiscal 2026 gross profit may be
16 negatively impacted by between \$4 million and \$6 million as a result of sales
discounts or product markdowns to liquidate on-hand inventory during the wind-
down of operations of the Closure Stores.

17 As previously reported, the Company initiated a restructuring plan during the fourth
18 quarter of fiscal 2024, which was substantially completed in the second quarter of
19 fiscal 2025, intended to improve long-term profitability, cash flow generation and
20 return on invested capital, optimize the footprint of new store growth and lower the
21 Company’s cost base (the “Restructuring Plan”). As of January 3, 2026, the
22 Company incurred total costs under the Restructuring Plan of \$61.8 million,
including (i) \$15.9 million of non-cash impairment of long-lived assets in fiscal
2024, and (ii) \$38.2 million of cash expenditures and \$7.7 million of non-cash
impairment and disposal of long-lived assets in fiscal 2025. All costs incurred under
the Restructuring Plan are included in Restructuring charges on the condensed
consolidated statements of operations and comprehensive income (loss).

23 24. On the same date, the Company held an earnings call in conjunction with releasing
24 fourth quarter 2025 results. During the earnings call, the Company’s CEO, Defendant Potter, further
25 revealed that the Company had “made the difficult decision to close 36 locations” in part because
26 “it’s clear now that we expanded too quickly, and these closures are a direct correction.”
27 Specifically, during the earnings call, Defendant Potter stated as follows, in relevant part:
28

1 Following a rigorous analysis of the fleet, we identified 36 stores in the network that
2 we concluded did not have a viable path to sustained profitability regardless of the
3 operational support we could provide. We've made the difficult decision to close 36
4 locations, 24 of which are located in the East, representing roughly 30% of that
region's fleet. We are not fully exiting any state, and we believe we have a
meaningful opportunity to grow in the East over the long term. However, it's clear
now that we expanded too quickly, and these closures are a direct correction.

5 25. On this news, Grocery Outlet's stock price fell \$2.45, or 27.9%, to close at \$6.34 per
6 share on March 5, 2026, on unusually heavy trading volume.

7 **CLASS ACTION ALLEGATIONS**

8 26. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
9 Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and entities that purchased
10 or otherwise acquired Grocery Outlet securities between August 5, 2025 and March 4, 2026,
11 inclusive, and who were damaged thereby (the "Class"). Excluded from the Class are Defendants,
12 the officers and directors of the Company, at all relevant times, members of their immediate families
13 and their legal representatives, heirs, successors, or assigns, and any entity in which Defendants
14 have or had a controlling interest.

15 27. The members of the Class are so numerous that joinder of all members is
16 impracticable. Throughout the Class Period, Grocery Outlet's shares actively traded on the
17 NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can
18 only be ascertained through appropriate discovery, Plaintiff believes that there are at least hundreds
19 or thousands of members in the proposed Class. Millions of Grocery Outlet shares were traded
20 publicly during the Class Period on the NASDAQ. Record owners and other members of the Class
21 may be identified from records maintained by Grocery Outlet or its transfer agent and may be
22 notified of the pendency of this action by mail, using the form of notice similar to that customarily
23 used in securities class actions.

24 28. Plaintiff's claims are typical of the claims of the members of the Class as all members
25 of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that
26 is complained of herein.

27 29. Plaintiff will fairly and adequately protect the interests of the members of the Class
28 and has retained counsel competent and experienced in class and securities litigation.

1 30. Common questions of law and fact exist as to all members of the Class and
2 predominate over any questions solely affecting individual members of the Class. Among the
3 questions of law and fact common to the Class are:

4 (a) whether the federal securities laws were violated by Defendants' acts as
5 alleged herein;

6 (b) whether statements made by Defendants to the investing public during the
7 Class Period omitted and/or misrepresented material facts about the business, operations, and
8 prospects of Grocery Outlet; and

9 (c) to what extent the members of the Class have sustained damages and the
10 proper measure of damages.

11 31. A class action is superior to all other available methods for the fair and efficient
12 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the
13 damages suffered by individual Class members may be relatively small, the expense and burden of
14 individual litigation makes it impossible for members of the Class to individually redress the wrongs
15 done to them. There will be no difficulty in the management of this action as a class action.

16 **UNDISCLOSED ADVERSE FACTS**

17 32. The market for Grocery Outlet's securities was open, well-developed and efficient at
18 all relevant times. As a result of these materially false and/or misleading statements, and/or failures
19 to disclose, Grocery Outlet's securities traded at artificially inflated prices during the Class Period.
20 Plaintiff and other members of the Class purchased or otherwise acquired Grocery Outlet's securities
21 relying upon the integrity of the market price of the Company's securities and market information
22 relating to Grocery Outlet, and have been damaged thereby.

23 33. During the Class Period, Defendants materially misled the investing public, thereby
24 inflating the price of Grocery Outlet's securities, by publicly issuing false and/or misleading
25 statements and/or omitting to disclose material facts necessary to make Defendants' statements, as
26 set forth herein, not false and/or misleading. The statements and omissions were materially false
27 and/or misleading because they failed to disclose material adverse information and/or
28

1 misrepresented the truth about Grocery Outlet's business, operations, and prospects as alleged
2 herein.

3 34. At all relevant times, the material misrepresentations and omissions particularized in
4 this Complaint directly or proximately caused or were a substantial contributing cause of the
5 damages sustained by Plaintiff and other members of the Class. As described herein, during the
6 Class Period, Defendants made or caused to be made a series of materially false and/or misleading
7 statements about Grocery Outlet's financial well-being and prospects. These material misstatements
8 and/or omissions had the cause and effect of creating in the market an unrealistically positive
9 assessment of the Company and its financial well-being and prospects, thus causing the Company's
10 securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false
11 and/or misleading statements during the Class Period resulted in Plaintiff and other members of the
12 Class purchasing the Company's securities at artificially inflated prices, thus causing the damages
13 complained of herein when the truth was revealed.

14 **LOSS CAUSATION**

15 35. Defendants' wrongful conduct, as alleged herein, directly and proximately caused
16 the economic loss suffered by Plaintiff and the Class.

17 36. During the Class Period, Plaintiff and the Class purchased Grocery Outlet's securities
18 at artificially inflated prices and were damaged thereby. The price of the Company's securities
19 significantly declined when the misrepresentations made to the market, and/or the information
20 alleged herein to have been concealed from the market, and/or the effects thereof, were revealed,
21 causing investors' losses.

22 **SCIENTER ALLEGATIONS**

23 37. As alleged herein, Defendants acted with scienter since Defendants knew that the
24 public documents and statements issued or disseminated in the name of the Company were
25 materially false and/or misleading; knew that such statements or documents would be issued or
26 disseminated to the investing public; and knowingly and substantially participated or acquiesced in
27 the issuance or dissemination of such statements or documents as primary violations of the federal
28 securities laws. As set forth elsewhere herein in detail, the Individual Defendants, by virtue of their

1 receipt of information reflecting the true facts regarding Grocery Outlet, their control over, and/or
2 receipt and/or modification of Grocery Outlet's allegedly materially misleading misstatements
3 and/or their associations with the Company which made them privy to confidential proprietary
4 information concerning Grocery Outlet, participated in the fraudulent scheme alleged herein.

5 **APPLICABILITY OF PRESUMPTION OF RELIANCE**

6 **(FRAUD-ON-THE-MARKET DOCTRINE)**

7 38. The market for Grocery Outlet's securities was open, well-developed and efficient at
8 all relevant times. As a result of the materially false and/or misleading statements and/or failures to
9 disclose, Grocery Outlet's securities traded at artificially inflated prices during the Class Period. On
10 September 2, 2025, the Company's share price closed at a Class Period high of \$18.66 per share.
11 Plaintiff and other members of the Class purchased or otherwise acquired the Company's securities
12 relying upon the integrity of the market price of Grocery Outlet's securities and market information
13 relating to Grocery Outlet, and have been damaged thereby.

14 39. During the Class Period, the artificial inflation of Grocery Outlet's shares was caused
15 by the material misrepresentations and/or omissions particularized in this Complaint causing the
16 damages sustained by Plaintiff and other members of the Class. As described herein, during the
17 Class Period, Defendants made or caused to be made a series of materially false and/or misleading
18 statements about Grocery Outlet's business, prospects, and operations. These material
19 misstatements and/or omissions created an unrealistically positive assessment of Grocery Outlet and
20 its business, operations, and prospects, thus causing the price of the Company's securities to be
21 artificially inflated at all relevant times, and when disclosed, negatively affected the value of the
22 Company shares. Defendants' materially false and/or misleading statements during the Class Period
23 resulted in Plaintiff and other members of the Class purchasing the Company's securities at such
24 artificially inflated prices, and each of them has been damaged as a result.

25 40. At all relevant times, the market for Grocery Outlet's securities was an efficient
26 market for the following reasons, among others:

27 (a) Grocery Outlet shares met the requirements for listing, and was listed and
28 actively traded on the NASDAQ, a highly efficient and automated market;

1 (b) As a regulated issuer, Grocery Outlet filed periodic public reports with the
2 SEC and/or the NASDAQ;

3 (c) Grocery Outlet regularly communicated with public investors via established
4 market communication mechanisms, including through regular dissemination of press releases on
5 the national circuits of major newswire services and through other wide-ranging public disclosures,
6 such as communications with the financial press and other similar reporting services; and/or

7 (d) Grocery Outlet was followed by securities analysts employed by brokerage
8 firms who wrote reports about the Company, and these reports were distributed to the sales force
9 and certain customers of their respective brokerage firms. Each of these reports was publicly
10 available and entered the public marketplace.

11 41. As a result of the foregoing, the market for Grocery Outlet's securities promptly
12 digested current information regarding Grocery Outlet from all publicly available sources and
13 reflected such information in Grocery Outlet's share price. Under these circumstances, all
14 purchasers of Grocery Outlet's securities during the Class Period suffered similar injury through
15 their purchase of Grocery Outlet's securities at artificially inflated prices and a presumption of
16 reliance applies.

17 42. A Class-wide presumption of reliance is also appropriate in this action under the
18 Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972),
19 because the Class's claims are, in large part, grounded on Defendants' material misstatements and/or
20 omissions. Because this action involves Defendants' failure to disclose material adverse
21 information regarding the Company's business operations and financial prospects—information that
22 Defendants were obligated to disclose—positive proof of reliance is not a prerequisite to recovery.
23 All that is necessary is that the facts withheld be material in the sense that a reasonable investor
24 might have considered them important in making investment decisions. Given the importance of
25 the Class Period material misstatements and omissions set forth above, that requirement is satisfied
26 here.

NO SAFE HARBOR

43. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as “forward-looking statements” when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of Grocery Outlet who knew that the statement was false when made.

FIRST CLAIM

Violation of Section 10(b) of The Exchange Act and

Rule 10b-5 Promulgated Thereunder

Against All Defendants

44. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

45. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase Grocery Outlet’s securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each defendant, took the actions set forth herein.

46. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements

1 not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a
2 fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially
3 high market prices for Grocery Outlet's securities in violation of Section 10(b) of the Exchange Act
4 and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal
5 conduct charged herein or as controlling persons as alleged below.

6 47. Defendants, individually and in concert, directly and indirectly, by the use, means or
7 instrumentalities of interstate commerce and/or of the mails, engaged and participated in a
8 continuous course of conduct to conceal adverse material information about Grocery Outlet's
9 financial well-being and prospects, as specified herein.

10 48. Defendants employed devices, schemes and artifices to defraud, while in possession
11 of material adverse non-public information and engaged in acts, practices, and a course of conduct
12 as alleged herein in an effort to assure investors of Grocery Outlet's value and performance and
13 continued substantial growth, which included the making of, or the participation in the making of,
14 untrue statements of material facts and/or omitting to state material facts necessary in order to make
15 the statements made about Grocery Outlet and its business operations and future prospects in light
16 of the circumstances under which they were made, not misleading, as set forth more particularly
17 herein, and engaged in transactions, practices and a course of business which operated as a fraud
18 and deceit upon the purchasers of the Company's securities during the Class Period.

19 49. Each of the Individual Defendants' primary liability and controlling person liability
20 arises from the following facts: (i) the Individual Defendants were high-level executives and/or
21 directors at the Company during the Class Period and members of the Company's management team
22 or had control thereof; (ii) each of these defendants, by virtue of their responsibilities and activities
23 as a senior officer and/or director of the Company, was privy to and participated in the creation,
24 development and reporting of the Company's internal budgets, plans, projections and/or reports;
25 (iii) each of these defendants enjoyed significant personal contact and familiarity with the other
26 defendants and was advised of, and had access to, other members of the Company's management
27 team, internal reports and other data and information about the Company's finances, operations, and
28 sales at all relevant times; and (iv) each of these defendants was aware of the Company's

1 dissemination of information to the investing public which they knew and/or recklessly disregarded
2 was materially false and misleading.

3 50. Defendants had actual knowledge of the misrepresentations and/or omissions of
4 material facts set forth herein, or acted with reckless disregard for the truth in that they failed to
5 ascertain and to disclose such facts, even though such facts were available to them. Such defendants'
6 material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose
7 and effect of concealing Grocery Outlet's financial well-being and prospects from the investing
8 public and supporting the artificially inflated price of its securities. As demonstrated by Defendants'
9 overstatements and/or misstatements of the Company's business, operations, financial well-being,
10 and prospects throughout the Class Period, Defendants, if they did not have actual knowledge of the
11 misrepresentations and/or omissions alleged, were reckless in failing to obtain such knowledge by
12 deliberately refraining from taking those steps necessary to discover whether those statements were
13 false or misleading.

14 51. As a result of the dissemination of the materially false and/or misleading information
15 and/or failure to disclose material facts, as set forth above, the market price of Grocery Outlet's
16 securities was artificially inflated during the Class Period. In ignorance of the fact that market prices
17 of the Company's securities were artificially inflated, and relying directly or indirectly on the false
18 and misleading statements made by Defendants, or upon the integrity of the market in which the
19 securities trades, and/or in the absence of material adverse information that was known to or
20 recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during
21 the Class Period, Plaintiff and the other members of the Class acquired Grocery Outlet's securities
22 during the Class Period at artificially high prices and were damaged thereby.

23 52. At the time of said misrepresentations and/or omissions, Plaintiff and other members
24 of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other
25 members of the Class and the marketplace known the truth regarding the problems that Grocery
26 Outlet was experiencing, which were not disclosed by Defendants, Plaintiff and other members of
27 the Class would not have purchased or otherwise acquired their Grocery Outlet securities, or, if they
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1 had acquired such securities during the Class Period, they would not have done so at the artificially
2 inflated prices which they paid.

3 53. By virtue of the foregoing, Defendants violated Section 10(b) of the Exchange Act
4 and Rule 10b-5 promulgated thereunder.

5 54. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the
6 other members of the Class suffered damages in connection with their respective purchases and
7 sales of the Company's securities during the Class Period.

8 **SECOND CLAIM**

9 **Violation of Section 20(a) of The Exchange Act**

10 **Against the Individual Defendants**

11 55. Plaintiff repeats and re-alleges each and every allegation contained above as if fully
12 set forth herein.

13 56. Individual Defendants acted as controlling persons of Grocery Outlet within the
14 meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level
15 positions and their ownership and contractual rights, participation in, and/or awareness of the
16 Company's operations and intimate knowledge of the false financial statements filed by the
17 Company with the SEC and disseminated to the investing public, Individual Defendants had the
18 power to influence and control and did influence and control, directly or indirectly, the decision-
19 making of the Company, including the content and dissemination of the various statements which
20 Plaintiff contends are false and misleading. Individual Defendants were provided with or had
21 unlimited access to copies of the Company's reports, press releases, public filings, and other
22 statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were
23 issued and had the ability to prevent the issuance of the statements or cause the statements to be
24 corrected.

25 57. In particular, Individual Defendants had direct and supervisory involvement in the
26 day-to-day operations of the Company and, therefore, had the power to control or influence the
27 particular transactions giving rise to the securities violations as alleged herein, and exercised the
28 same.

1 58. As set forth above, Grocery Outlet and Individual Defendants each violated Section
2 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their
3 position as controlling persons, Individual Defendants are liable pursuant to Section 20(a) of the
4 Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other
5 members of the Class suffered damages in connection with their purchases of the Company's
6 securities during the Class Period.

7 **PRAYER FOR RELIEF**

8 WHEREFORE, Plaintiff prays for relief and judgment, as follows:

9 (a) Determining that this action is a proper class action under Rule 23 of the Federal
10 Rules of Civil Procedure;

11 (b) Awarding compensatory damages in favor of Plaintiff and the other Class members
12 against all defendants, jointly and severally, for all damages sustained as a result of Defendants'
13 wrongdoing, in an amount to be proven at trial, including interest thereon;

14 (c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this
15 action, including counsel fees and expert fees; and

16 (d) Such other and further relief as the Court may deem just and proper.

17 **JURY TRIAL DEMANDED**

18 Plaintiff hereby demands a trial by jury.
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