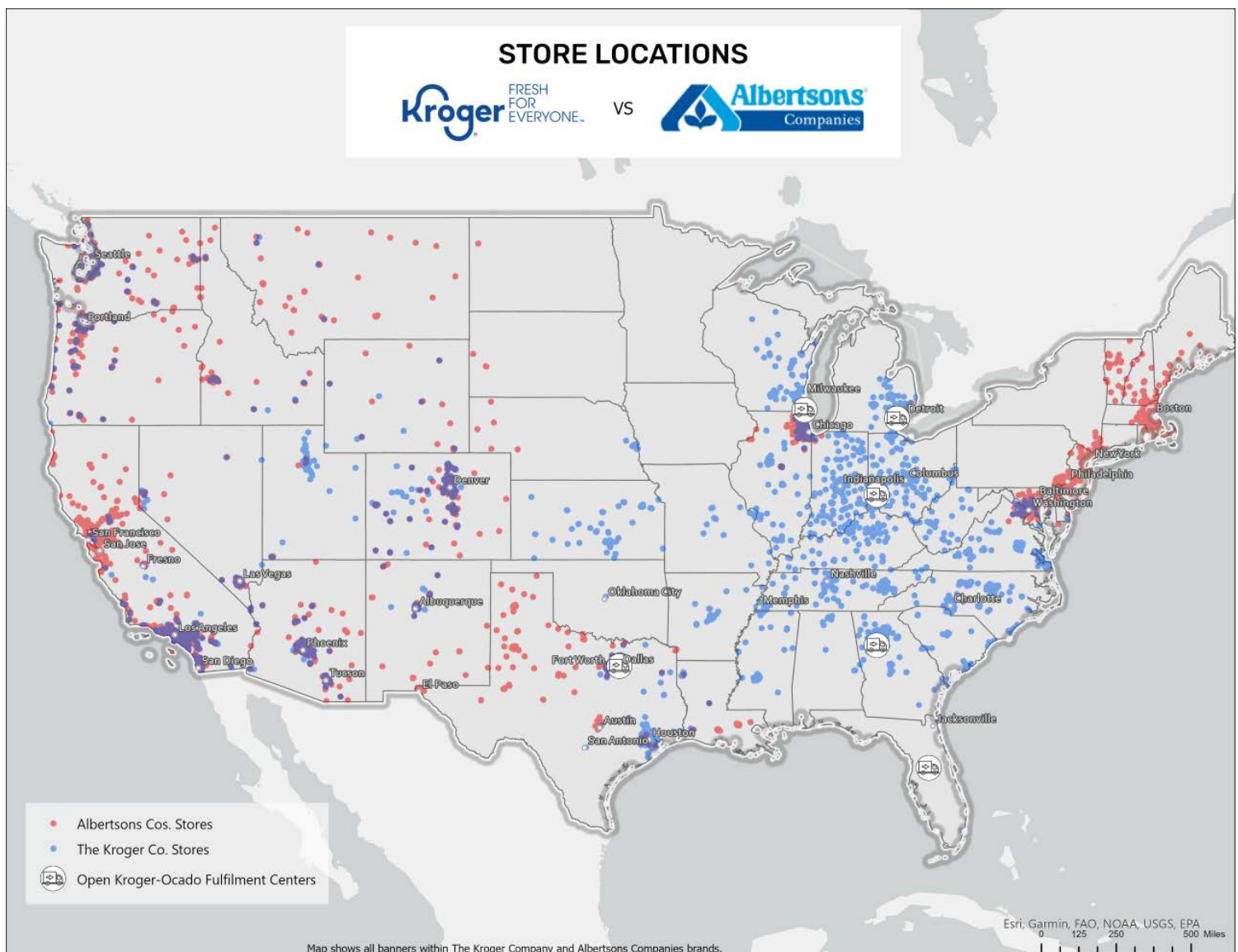


OVERVIEW

- Kroger and Albertsons attempting to merge in a deal valued at about \$24.60 billion
- Combined company would generate \$220 billion in annual sales from roughly 5,000 stores throughout the U.S.
- Regulatory review expected to be lengthy, as the two companies operate in many of the same areas
- As we highlight below, significant store overlap will mean significant divestitures in a best-case scenario

Kroger and Albertsons are attempting to complete one of the largest mergers in retail history – significantly larger than Amazon’s 2017 acquisition of Whole Foods for \$13.70 billion. Under terms of the deal, Kroger will acquire all of the outstanding shares of Albertsons common and preferred stock for an estimated total consideration of \$34.10 per share, implying a total enterprise value of approximately \$24.60 billion, including the assumption of approximately \$4.70 billion of Albertsons net debt. The combination of these two grocery giants would produce a company with close to \$220 billion in annual sales from roughly 5,000 stores throughout the U.S. As of June 18, 2022, Albertsons operated 2,273 stores across 34 states and the District of Columbia under 24 banners including Albertsons, Safeway, and Vons, to name a few. Albertsons also operated 1,722 pharmacies, 1,317 in-store branded coffee shops, 402 adjacent fuel centers, 22 dedicated distribution centers, 20 manufacturing facilities and various digital platforms. Meanwhile, Kroger has 2,726 stores in 35 states and the District of Columbia under more than two dozen banners, including Kroger, Harris Teeter, and King Soopers, among others.

The map below outlines the store concentrations for Kroger (blue) and Albertsons (red), as well as the locations of Kroger’s six Ocado built CFC’s that are currently operating in Monroe, OH, Groveland, FL, Forest Park, GA (Atlanta), Pleasant Prairie, WI, Dallas, TX and Romulus, MI (Detroit). Additional customer fulfillment centers slated for California, Frederick, MD, Phoenix, AZ, Cleveland, OH, Charlotte, NC, Aurora, CO (Denver), as well as South Florida and the Northeast. Adding in Albertsons’ 2,300 stores would probably open the door for additional fulfillment centers in territory currently dominated by Albertsons.



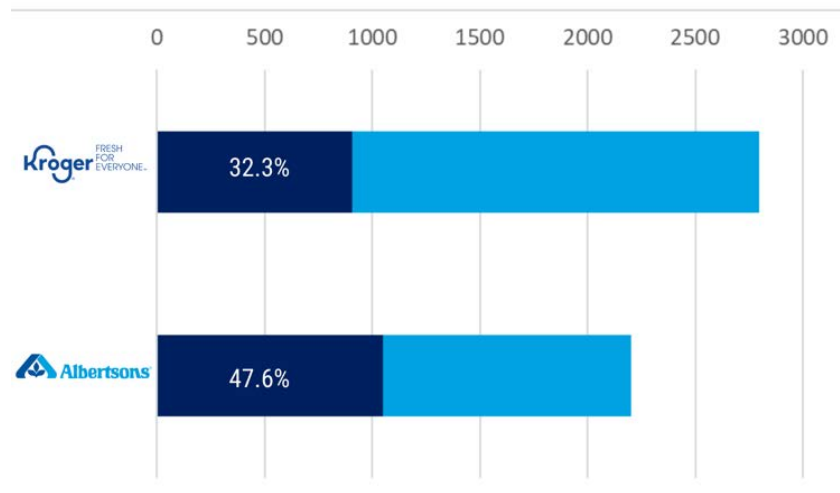
STORE OVERLAP ANALYSIS

A merger between the two companies would provide increased scale to improve competition against the likes of Walmart and reduce product costs in areas like purchasing. Given the expected lengthy regulatory review, especially since the two companies operate in many of the same areas, including Southern California, Seattle, Texas and Chicago, the transaction is not expected to close until early 2024, in a best-case scenario. In connection with obtaining regulatory clearance necessary to complete the transaction, Kroger and Albertsons expect to make store divestitures. Toward that end, Albertsons will establish a subsidiary (SpinCo) that would be spun-off to Albertsons shareholders immediately prior to merger closing and operate as a standalone public company which Kroger and Albertsons have said will be comprised of between 100 and 375 stores, though we believe that number can easily go higher.

Creditntell's store overlap analysis has determined that about 48% of Albertsons store base (2,273 at June 18, 2022) is located within three miles of a Kroger store. This, as well as the metropolitan statistical areas (MSA's) where the overlap occurs can be seen in the charts below:

Overlapping Locations as a Percentage of Total Store Count

Creditntell



Data reflects 2200 total stores across all banners for Albertsons and 2796 stores across all banners for Kroger and a combined total store count of 4996 according to Kroger/Albertsons website. The percentage of overlapping stores reflects totals within 3-miles for the grocery banners.

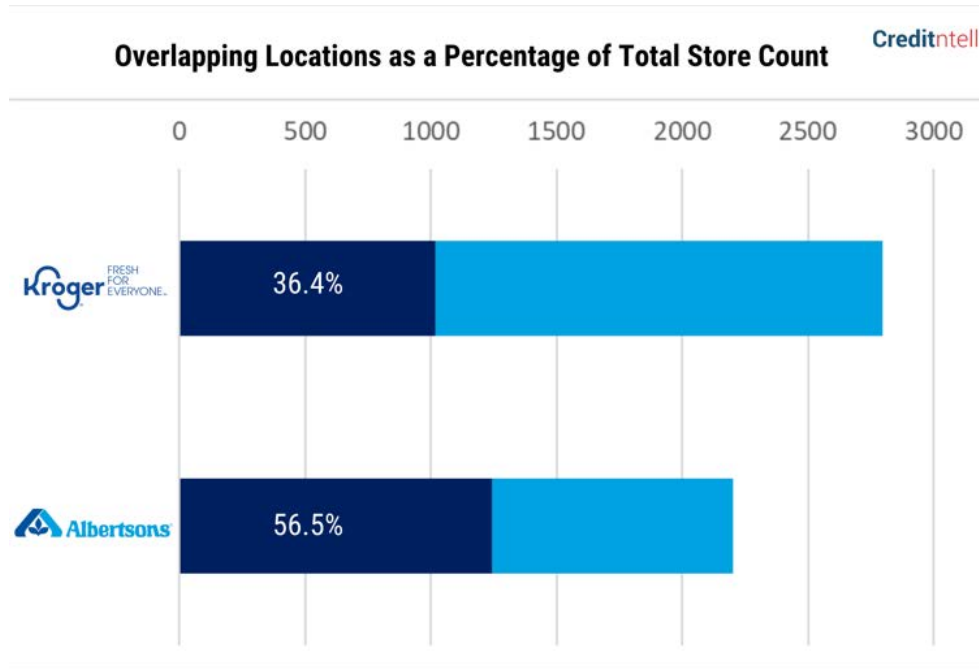
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MSA	Overlap within 3 Miles	
	Albertsons	Kroger
Phoenix-Mesa-Chandler, AZ	67	76
Los Angeles-Long Beach-Anaheim, CA	132	166
Oxnard-Thousand Oaks-Ventura, CA	14	10
Riverside-San Bernardino-Ontario, CA	30	32
San Diego-Chula Vista-Carlsbad, CA	55	30
Denver-Aurora-Lakewood, CO	36	53
Chicago-Naperville-Elgin, IL-IN-WI	102	55
Las Vegas-Henderson-Paradise, NV	40	34
Dallas-Fort Worth-Arlington, TX	88	76
Houston-The Woodlands-Sugar Land, TX	14	24
Portland-Vancouver-Hillsboro, OR-WA	52	40
Seattle-Tacoma-Bellevue, WA	94	83
Washington-Arlington-Alexandria, DC-VA-MD-WV	43	31

Data reflects all banners for Albertsons and Kroger excluding Kroger convenience stores, pharmacies, jewelers, and gas stations.

STORE OVERLAP ANALYSIS

If we change our search criteria to five miles, the overlap becomes even more extreme, with nearly 57% of Albertsons store base located in proximity to a Kroger store:



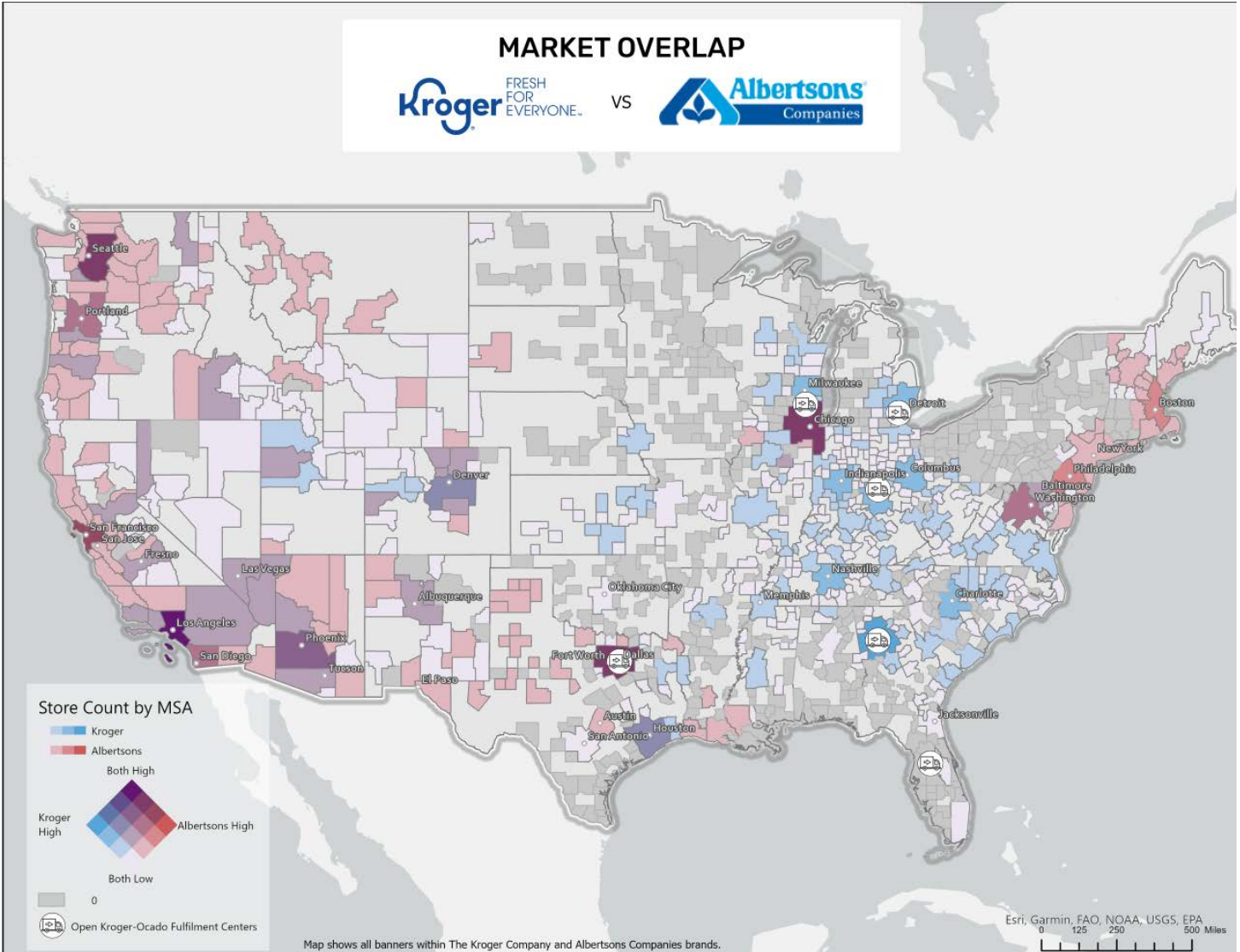
Data reflects 2200 total stores across all banners for Albertsons and 2796 stores across all banners for Kroger and a combined total store count of 4996 according to Kroger/Albertsons website. The percentage of overlapping stores reflects totals within 5-miles for the grocery banners.

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MSA	Overlap within 5 Miles	
	Albertsons	Kroger
Phoenix-Mesa-Chandler, AZ	72	83
Los Angeles-Long Beach-Anaheim, CA	144	183
Oxnard-Thousand Oaks-Ventura, CA	19	10
Riverside-San Bernardino-Ontario, CA	38	32
San Diego-Chula Vista-Carlsbad, CA	66	31
Denver-Aurora-Lakewood, CO	39	66
Chicago-Naperville-Elgin, IL-IN-WI	136	56
Las Vegas-Henderson-Paradise, NV	41	36
Dallas-Fort Worth-Arlington, TX	101	91
Houston-The Woodlands-Sugar Land, TX	15	41
Portland-Vancouver-Hillsboro, OR-WA	57	41
Seattle-Tacoma-Bellevue, WA	107	84
Washington-Arlington-Alexandria, DC-VA-MD-WV	64	34

Data reflects all banners for Albertsons and Kroger excluding Kroger convenience stores, pharmacies, jewelers, and gas stations.

Obviously, any chance of completing the deal will require the divestiture of numerous overlapping stores to help gain regulatory approval, but even that is no guarantee of success in the food sector, as seen when a proposed merger between foodservice distributor Sysco and US Foods was torpedoed in 2015. We note that Albertsons holds a #1 or #2 position by market share in 68% of the 121 metropolitan statistical areas (MSA) in which it operates, which will also generate intense regulatory scrutiny to curb market dominance by the combined company. The chart below provides a visual representation of markets where the operations of Kroger and Albertsons significantly overlap:



MARKET SHARE ANALYSIS

The following displays a two-year comparison of Kroger's and Albertsons' major markets, as of July 2022 and July 2020:

Chicago, IL		July 2022		July 2020	
	Market Share	Store Count		Market Share	Store Count
Albertsons	29.8%	179	Albertsons	30.2%	179
Walmart	14.0%	67	Walmart	14.0%	68
Kroger	9.9%	60	Kroger	10.3%	60
ALDI	7.7%	157	ALDI	7.7%	155
Meijer	5.6%	32	Meijer	5.0%	23
All Other	33.0%	552	All Other	32.8%	549

Dallas, TX		July 2022		July 2020	
	Market Share	Store Count		Market Share	Store Count
Walmart	35.5%	141	Walmart	34.8%	142
Kroger	17.6%	94	Kroger	17.4%	94
Albertsons	16.1%	104	Albertsons	16.2%	104
Target	6.2%	27	Target	5.1%	27
H.E. Butt	3.9%	11	H.E. Butt	3.9%	10
All Other	20.7%	367	All Other	22.7%	380

Denver, CO		July 2022		July 2020	
	Market Share	Store Count		Market Share	Store Count
Kroger	41.7%	82	Kroger	44.1%	82
Walmart	20.2%	37	Walmart	19.6%	38
Albertsons	15.2%	42	Albertsons	13.9%	42
Target	7.4%	15	Target	6.9%	15
Amazon - Whole Foods	5.1%	13	Amazon - Whole Foods	4.3%	12
All Other	10.4%	89	All Other	11.3%	87

Las Vegas, NV		July 2022		July 2020	
	Market Share	Store Count		Market Share	Store Count
Walmart	29.2%	27	Walmart	28.5%	27
Albertsons	26.3%	42	Albertsons	25.1%	42
Kroger	23.7%	37	Kroger	23.6%	37
Cardenas Market	3.2%	5	Sprouts Farmers Market	3.0%	11
Bodega Latina*	2.7%	10	Cardenas Market	2.8%	5
All Other	14.9%	69	All Other	17.0%	68

Los Angeles, CA		July 2022		July 2020	
	Market Share	Store Count		Market Share	Store Count
Kroger	21.7%	186	Kroger	22.6%	193
Albertsons	18.2%	156	Albertsons	18.3%	159
Walmart	8.2%	48	Walmart	7.7%	50
Trader Joe's	7.5%	80	Trader Joe's	7.5%	79
Bodega Latina*	7.4%	131	Smart & Final	6.1%	100
All Other	37.1%	682	All Other	37.9%	710

Oxnard, CA		July 2022		July 2020	
	Market Share	Store Count		Market Share	Store Count
Albertsons	35.3%	23	Albertsons	35.9%	23
Kroger	12.3%	10	Kroger	12.1%	10
Walmart	8.3%	5	Trader Joe's	8.0%	7
Trader Joe's	8.0%	7	Walmart	7.4%	5
Bodega Latina*	7.2%	10	Smart & Final	6.5%	9
All Other	28.9%	45	All Other	30.1%	45

Phoenix, AZ		July 2022		July 2020	
	Market Share	Store Count		Market Share	Store Count
Kroger	27.6%	98	Kroger	27.9%	95
Walmart	26.6%	65	Walmart	26.8%	65
Albertsons	20.5%	77	Albertsons	19.2%	77
Raley's**	9.4%	66	Bashas'	9.4%	67
Sprouts Farmers Market	2.8%	35	Sprouts Farmers Market	3.8%	33
All Other	13.1%	91	All Other	13.0%	80

Portland, OR		July 2022		July 2020	
	Market Share	Store Count		Market Share	Store Count
Kroger	31.5%	41	Albertsons	30.2%	65
Albertsons	31.5%	64	Kroger	30.1%	41
Walmart	10.2%	18	WinCo	11.1%	15
WinCo	9.0%	15	Walmart	9.6%	18
Trader Joe's	3.7%	9	Trader Joe's	3.6%	8
All Other	14.3%	114	All Other	15.5%	115

Riverside, CA	July 2022			July 2020	
	Market Share	Store Count		Market Share	Store Count
Stater Bros.	31.0%	103	Stater Bros.	31.2%	102
Walmart	17.0%	34	Walmart	15.4%	33
Albertsons	12.6%	47	Albertsons	12.6%	47
Kroger	10.7%	41	Kroger	11.3%	41
Cardenas Market	6.1%	31	Cardenas Market	5.2%	24
All Other	22.6%	193	All Other	24.4%	191

San Diego, CA	July 2022			July 2020	
	Market Share	Store Count		Market Share	Store Count
Albertsons	32.4%	70	Albertsons	32.4%	71
Kroger	14.3%	31	Kroger	14.1%	31
Walmart	11.3%	16	Walmart	10.1%	16
Bodega Latina*	6.7%	30	Smart & Final	6.1%	26
Trader Joe's	5.1%	15	Trader Joe's	5.1%	15
All Other	30.2%	193	All Other	32.2%	202

Seattle, WA	July 2022			July 2020	
	Market Share	Store Count		Market Share	Store Count
Albertsons	37.9%	111	Albertsons	36.8%	113
Kroger	29.5%	84	Kroger	29.7%	86
Walmart	7.8%	16	Walmart	7.4%	16
Trader Joe's	4.2%	18	Trader Joe's	4.3%	18
Amazon-Whole Foods & Amazon Fres	4.0%	14	WinCo	3.6%	8
All Other	16.7%	151	All Other	18.2%	157

Washington, DC	July 2022			July 2020	
	Market Share	Store Count		Market Share	Store Count
Ahold Delhaize	30.5%	153	Ahold Delhaize	31.3%	150
Albertsons	13.7%	86	Albertsons	13.7%	83
Walmart	9.1%	29	Walmart	9.6%	29
Kroger	7.5%	43	Kroger	7.7%	43
Wegmans	7.4%	14	Wegmans	6.3%	11
All Other	31.9%	347	All Other	31.4%	340

* In July 2021, Mexican retailer Grupo Comercial Chedraui's U.S. subsidiary Bodega Latina Corp. completed its purchase of Smart & Final Stores for approximately \$620 million, including assumption of debt, from private-equity firm Apollo Global Management Inc.

**In December 2021, Raley's completed its acquisition of Bashas'.

Source: The Nielsen Company – TDLinx

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CONCLUSION

No doubt Albertsons shareholders are excited at the possibility of a merger, given that its five largest stockholders (Cerberus Capital Management, L.P., Kimco Realty Corporation, Klaff Realty, L.P., Lubert-Adler Partners and Jubilee Limited Partnership) have been looking for an exit plan. In early 2022, Albertsons commenced a review of potential strategic alternatives aimed at enhancing its growth and maximizing shareholder value. The review was to include an assessment of various balance sheet optimization and capital return strategies, potential strategic or financial transactions and development of other strategic initiatives to complement Albertsons' existing businesses, as well as responding to inquiries. Across the pond, Ocado shareholders are also a bit giddy, imagining all the new CFC's Kroger might build in Albertsons markets. However, aside from the regulatory concerns, we see a potential downside in that Kroger will need to devote a significant amount of time to integrate the Albertsons business into its own. The question then becomes will this detract from what up to now has been Kroger's laser focus on its digital initiatives. While the potential for long term success is there, this deal is hardly "plug and play." We believe Kroger will need to devote significant amounts of human capital to not only get the deal done, but also to successfully integrate the two businesses.

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