



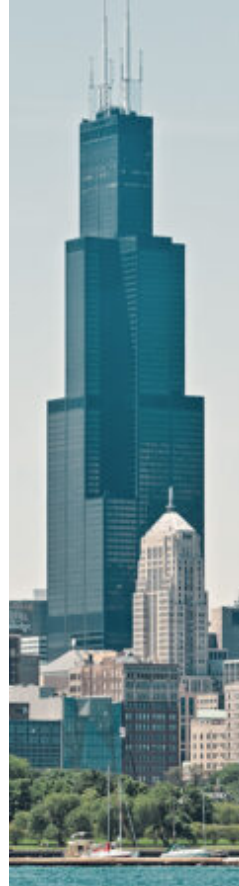
Special Analysis of **Kroger-Albertsons** Potential Merger

Executive Overview

Despite Kroger and Albertsons gearing up for their planned merger and already taking steps to create “a seamless cultural and operational integration,” there remains significant uncertainty regarding necessary store divestitures to gain FTC clearance

This Hot Market Analysis combines MTN’s boots on the ground insights with Creditntell’s retail analysis expertise to review the top six markets likely requiring the most store divestitures based on store overlap and market share concentration

Based on the review, it seems plausible that existing area operators can and likely will be able to acquire the required store divestitures in four (Los Angeles, Phoenix, Dallas, and Chicago) of the six reviewed markets, limiting the need for store closures; however, there is no evident operator in two (Denver and Portland) of the six regions, which may necessitate Kroger and Albertsons to create SpinCo, spinning the assets to a wholesaler looking to expand its reach, or shuttering stores



CHICAGO



DALLAS



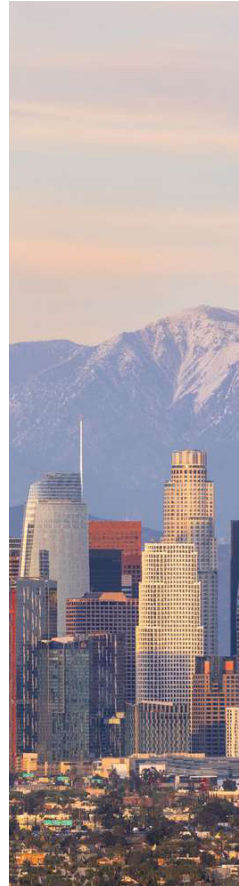
DENVER

BACKGROUND: Following the Kroger and Albertsons merger announcement in October 2022, the pair have continued to take steps to effectuate the merger. At this point, the necessary funding has been secured, they have survived a square-off with the State of Washington’s Attorney General over a special dividend, and, most recently, launched planning efforts “for a seamless cultural and operational integration.” Yet, to date, store divestiture details remain to be worked out, a critical element for the proposed acquisition given the significant store overlap and market concentration.

DIVESTURE DETAILS: The merger documents initially suggested divestments of between 100 and 375 stores, with a 650-store divestiture ceiling, and an option to spin the stores off as an independent entity (SpinCo); however, reports now indicate the pair have established a marketing process and are advancing plans to sell between 250 and 300 stores to alleviate antitrust concerns. If this transaction were to be completed, which we remain far from convinced will happen, we feel the number of required divestitures will likely be closer to the 650 cap, if not higher. This Hot Market report will take a closer look at the six markets where Kroger and Albertsons have the most overlap or the highest combined market share and will likely require the most divestitures.

Executive Overview

GROCERY INDUSTRY: It is important to note, this merger comes at an interesting juncture for the grocery segment. First, grocery remains red hot. Following the initial outbreak of the pandemic, grocery, which had been in a retrenching and survival mode for years, has benefited from consumer and eat-at-home tailwinds, causing a rise of top lines and margins. Even though grocers are now consistently seeing some unit erosion, inflation continues to propel top lines and, for the most part, overall sector profitability. The sector also remains one of the few bright spots in retail, especially considering the discretionary pullback, which occurred in 2022. At the same time, nationwide grocery store-count has been somewhat stagnant if not receding for years. While strong regional chains like **Publix**, **H-E-B**, **Wegmans**, **Hy-Vee**, **WinCo**, and others have continued to grow and even increase their growth plans post-pandemic, national operators like **Walmart** and **Kroger** dramatically reduced their new store expansions to divert capital to e-commerce. **Amazon Fresh**, which quickly opened nearly 50 stores over the last couple of years, has now halted its growth to re-tool, but all indicators suggest it will reengage after making significant changes in store design and offerings. Additionally, as the pandemic boost has worn off, many of the smaller, weaker chains that have not kept up with technology, merchandising, and customer interaction, are now beginning to close stores again.



LOS ANGELES



PHOENIX



PORTLAND

POSSIBLE ACQUISITIONS: Thus, this merger, and the likely domino effect of several hundred stores becoming available, presents itself at an attractive time for grocery investors and is likely to garner significant interest. Outside of existing in-market operators (more below), and **Ahold**, which is believed to have interest, there are also several private equity firms with significant grocery experience that may show interest. For example, the pandemic salvaged **Apollo's** investment in **Fresh Market** and allowed it to make a quick return when it flipped **Smart and Final's** two businesses to **US Foods** and **Grupo Chedraui** over the 2019 – 2021 timeframe. Now, with a stake in **Cardenas**, which also includes **Tony's Fresh Market** out of Chicago (one of the markets likely to require divestiture), Apollo will likely look to bid on stores. Similarly, **Kingswood**, which acquired **SaveMart** in 2022, is rumored to be interested in expanding its grocery business through further deals. Lastly, **KKR** and **ARES**, both on again / off again grocery investors with significant market experience, are currently sitting on the sidelines though perhaps not for long.

Market Insights

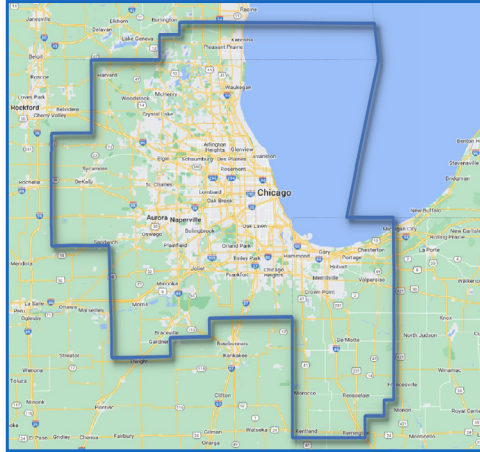
Key Observations of the six markets with the most overlap / likelihood of store divestitures

DALLAS, LOS ANGELES, AND PHOENIX: All three markets display a healthy amount of existing area competitors that are capable and likely to show interest in a handful or even a few dozen stores. There should be enough in total to gain FTC clearance. The markets also have a significant Hispanic population, each approaching 50%, which leads us to believe existing Hispanic operators, **Grupo Chedruai** and **Cardenas**, both of which have already grown by acquisitions in recent years, as well as **Northgate Gonzales** and **Vallarta** in the Los Angeles market could be interested in picking up stores.

DENVER AND PORTLAND: The markets in these regions lack existing area operators that could gain in-market scale by adding stores. In Denver, Kroger already controls 48% of the market with its King Soopers banner. It also recently launched its newest Ocado-driven macro fulfillment center in Denver, enabling significant e-commerce and competitive advantage that could limit a competitor's interest in acquiring stores given the competitive headwind. The market has already seen significant closures following the 2015 Albertsons – Safeway merger, where Albertsons subsequently converted all area stores to the Safeway banner. Based on Kroger's already dominant position, it is likely the FTC will force a divestiture of the bulk of the 42 area Safeway stores. Portland affords similar challenges as Kroger's Fred Meyer and Albertsons' Safeway banners hold the #1 and #2 positions with no other traditional grocer accounting for more than a 5% share. Rather, the market is full of an unusually high number of Natural / Organic format stores. It remains unclear if these banners would look to acquire and convert stores as demographics and even store size could be challenging. Thus, these are two examples of markets where SpinCo could be the only option for divestiture, unless an outside operator, such as **Ahold**, or a wholesaler were to make a play for stores.

CHICAGO: This is a unique market because although Kroger and Albertsons operate five banners in the market, two of these, Jewel-Osco (#1 position with 179 stores) and Mariano's (#3 position and 44 stores), account for 95% of the Kroger / Albertsons combined share (36%), and the pair will be extra focused on keeping these leading and well performing banners intact as much as possible. **Meijer**, which has already added 15 stores over the last three years and commands the #5 market position, is a possible candidate for some stores but also favors a larger format. Given that **Apollo** already operates **Tony's Fresh Market** (21 stores and #9 position) it seems plausible that Apollo could make a play for area stores to expand its presence as well.

CHICAGO-NAPERVILLE-ELGIN, IL-IN-WI



Market Population	9,550,429
Population Rank	3
Population Growth (Proj 5 YR)	1%
Population Growth Since 2010	1%
Median Household Income	\$75,713
Bachelors Degree+	38%
Unemployment Rate	3.9%
Grocery Count (Current)	1,010
New / Planned Grocery Count	30
Grocery Saturation	3.2 sq. ft. /pop.
(14.5% below U.S. Market Avg.)	

■ STI PopStats (2022 Q1 Release)
■ MTN Data

MARKET COMMENTARY

Kroger / Albertsons Background

- **Jewel** has been the clear market share leader for a lengthy period of time
- **Marianos**, aided by Dominick's closure in 2013, has grown significantly while also becoming much more conventional under Kroger's ownership (since 2015)

Other market considerations

- There are many strong independent grocers that command brand loyalty (**Pete's Market**, **Tony's**, etc.)

Acquirer Thoughts

- Market entry from major grocery chains is unlikely due to the current grocery landscape and brand loyalty
- **Tony's**, a sister company of **Cardenas Markets** and owned by **Apollo**, is one independent with significant financial resources to grow its presence assuming Kroger / Albertsons to sell stores
- Closures also likely if a Kroger / Albertsons deal pushes through; the strongest of these locations will likely be backfilled by local independent chains

CHAIN PERFORMANCE & SHARE OF SALES

Banner	Count	Avg Weekly Sales	Sales/SQFT	% Share	Share Rank
Jewel-Osco	179	\$666.8K	\$15.44	25.9%	1
Walmart SC	63	\$899.7K	\$16.07	12.3%	2
Mariano's	44	\$854.4K	\$16.29	8.1%	3
Aldi	157	\$200.8K	\$16.62	6.8%	4
Meijer	23	\$933.6K	\$14.29	4.7%	5
Whole Foods Market	27	\$780.3K	\$26.43	4.6%	6
Target	73	\$225.6K	\$9.63	3.6%	7
Pete's Market	20	\$684.5K	\$18.59	3.0%	8
Tony's	21	\$650.9K	\$14.47	3.0%	9
Trader Joe's	22	\$603.9K	\$62.11	2.9%	10
Food4Less	12	\$554.2K	\$10.77	1.4%	14
Pick 'N Save	2	\$482.5K	\$12.22	0.2%	38
Ruler Foods	1	\$100.0K	\$7.14	0.0%	171
Other	366	\$297.3K	\$12.76	23.6%	
Total	1,010	\$456.7K	\$15.07		

The Kroger Company
Albertsons LLC

- **Jewel-Osco** (Albertsons owned) ranks 1st in banner count and share of sales (179 units, 25.9% share)
- **Mariano's** is the dominant Kroger company banner in the market, with 44 units and total share of 8.1%
- **Kroger Company** stores combined share of sales is nearly 10% (Mariano's, Food-4-Less, Pick 'N Save, & Ruler Foods)
- **Albertsons & Kroger's** combined share of sales is nearly 36%

SALES

Kroger & Albertsons Sales Performance vs Market

Table Key

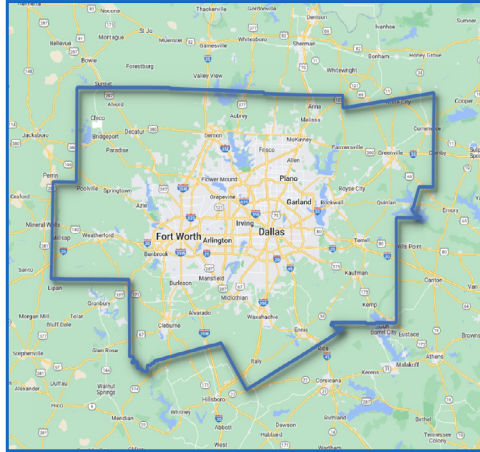
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120 Index = 20% Above Average

Market Stores	AWS	\$/SQFT	Market Index - All Grocery		Market Index - Format Group	
			AWS Index	\$/SQFT Index	AWS Index	\$/SQFT Index
Kroger Company - All Banners	\$767,373	\$15.01	168	100	147	102
Mariano's (Kroger)	\$854,432	\$16.29	187	108	163	111
Food4Less (Kroger)	\$554,167	\$10.77	121	71	106	73
Pick 'N Save (Kroger)	\$482,500	\$12.22	106	81	92	83
Ruler Foods (Kroger)	\$100,000	\$7.14	22	47	19	49
Jewel-Osco (Albertsons)	\$666,760	\$15.44	146	102	127	105
Market - All Grocery	\$456,729	\$15.07			87	103
Market - Format Group (Conventional & Quality/Service)	\$523,801	\$14.69	115	97		

DALLAS-FORT WORTH-ARLINGTON, TX



Market Population	7,813,006
Population Rank	4
Population Growth (Proj 5 YR)	6%
Population Growth Since 2010	23%
Median Household Income	\$76,951
Bachelors Degree+	35%
Unemployment Rate	3.5%
Grocery Count (Current)	767
New / Planned Grocery Count	11
Grocery Saturation	3.3 sq. ft. / pop.
	(12.4% below U.S. Market Avg.)

■ STI PopStats (2022 Q1 Release)
■ MTN Data

MARKET COMMENTARY

Kroger / Albertsons Background

- After the acquisitions of **Market Street** and **Safeway** (which had previously acquired **Tom Thumb**), Albertsons more than doubled its store count and market share
- Kroger has ramped up its capital investments in both remodels and new stores

Other Market considerations

- Walmart** has made a strong effort to remodel its existing stores to its latest décor package and focused on adding self-checks

Acquirer Thoughts

- H-E-B**, the market share leader of east and southern Texas, is currently stirring up the Dallas market with plans for multiple openings over the coming 5-10 years but could accelerate that growth by acquiring in this divesture. One hold-up could be store size; H-E-B's newer stores typically exceed 100,000 square feet
- Grupo Chedraui** operates both **Fiesta Mart** and **Smart & Final** in Southern California so it could easily support a large acquisition in this market
- Ahold Delhaize** operates very successful **Food Lion** banner in a similar southern market with similar demographics and, though a geographic leap, may be interested

CHAIN PERFORMANCE & SHARE OF SALES

Banner	Count	Avg Weekly Sales	Sales/SQFT	% Share	Share Rank
Walmart SC	97	\$1.03M	\$18.32	25.1%	1
Kroger	94	\$874.6K	\$16.97	20.6%	2
Tom Thumb	64	\$522.9K	\$12.96	8.4%	3
Walmart NM	44	\$496.6K	\$14.88	5.5%	4
HEB	8	\$2.34M	\$38.71	4.7%	5
Albertsons	31	\$452.7K	\$10.28	3.5%	6
Super Target	26	\$469.4K	\$10.05	3.1%	7
Fiesta Mart	26	\$441.2K	\$13.13	2.9%	8
Aldi	63	\$175.7K	\$15.48	2.8%	9
Whole Foods Market	14	\$638.2K	\$19.44	2.2%	10
Market Street	9	\$897.8K	\$18.40	2.0%	13
Other	291	\$261.5K	\$13.24	19.1%	
Total	767	\$519.2K	\$15.52		

- Kroger** ranks 2nd in banner count and share of sales (94 units, 20.6% share)
- Tom Thumb** is the dominant Albertsons company banner in the market, with 64 units and total share of 8.4% (ranks 3rd in both)
- Albertsons Company** stores combined share of sales is 13.9% (Tom Thumb, Albertsons, Market Street)
- Albertsons & Kroger's** combined share of sales is nearly 35%

The Kroger Company
Albertsons LLC

SALES

Kroger & Albertsons Sales Performance vs Market

Table Key

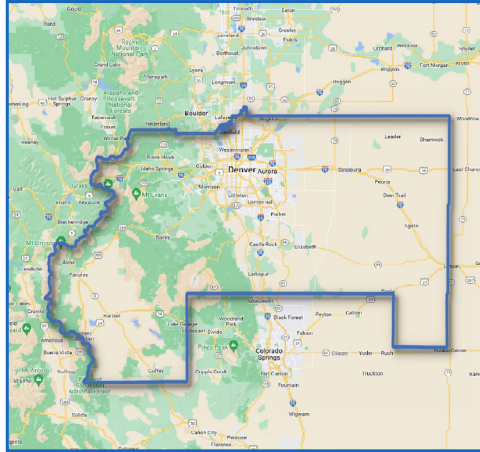
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Market Stores	AWS	\$/SQFT	Market Index - All Grocery		Market Index - Format Group	
			AWS Index	\$/SQFT Index	AWS Index	\$/SQFT Index
Kroger	\$874,628	\$16.97	168	109	137	108
Albertsons Company - All Banners	\$534,423	\$12.67	103	82	84	81
Tom Thumb (Albertsons)	\$522,891	\$12.96	101	83	82	83
Albertsons	\$452,742	\$10.28	87	66	71	66
Market Street (Albertsons)	\$897,778	\$18.40	173	119	141	118
Market - All Grocery	\$519,218	\$15.52			81	99
Market - Format Group (Conventional & Quality/Service)	\$637,716	\$15.66	123	101		

DENVER-AURORA-LAKEWOOD, CO



Market Population	2,985,124
Population Rank	19
Population Growth (Proj 5 YR)	6%
Population Growth Since 2010	17%
Median Household Income	\$85,452
Bachelors Degree+	45%
Unemployment Rate	4.1%
Grocery Count (Current)	279
New / Planned Grocery Count	32
Grocery Saturation	3.4 sq.ft. / pop.
	(10.0% below U.S. Market Avg.)

■ STI PopStats (2022 Q1 Release)
■ MTN Data

MARKET COMMENTARY

Kroger / Albertsons Background

- Kroger already commands the #1 share with its **King Soopers** banner; also opened an **Ocado Micro Fulfillment** center in March 2023
- The 2015 Albertsons-Safeway merger resulted in significant closure of stores operating under both banners, with the decision to ultimately convert all Albertsons stores to **Safeway**

Other Market Considerations

- The Denver metro area is a dynamic market that has seen considerable residential growth over the past decade, with the suburban markets experiencing the strongest growth
- Beyond King Soopers and Safeway, the Denver market lacks the presence of other conventional-formatted grocery chains
- Denver has also become a stronghold for several Natural/Organic grocery chains, including **Sprouts**, **Whole Foods**, and **Natural Grocers** (Denver-based); in addition, there are several ethnic operators in the Denver area, including Hispanic chains

Acquirer Thoughts

- Challenging proposition to acquire Safeway stores given Kroger's King Soopers dominant share and new Ocado fulfillment center headwind
- Assuming whole Safeway banner changes hands, **Ahold** or a wholesaler could be an acquirer

CHAIN PERFORMANCE & SHARE OF SALES

Banner	Count	Avg Weekly Sales	Sales/SQFT	% Share	Share Rank
King Soopers	83	\$1.03M	\$20.31	48.0%	1
Walmart SC	29	\$987.6K	\$18.48	16.0%	2
Safeway	42	\$512.0K	\$13.34	12.0%	3
Whole Foods Market	12	\$705.0K	\$26.05	4.7%	4
Super Target	14	\$495.0K	\$11.05	3.9%	5
Sprouts	20	\$324.8K	\$17.60	3.6%	6
Walmart NM	8	\$551.3K	\$15.81	2.5%	7
Natural Grocers	25	\$157.3K	\$15.48	2.2%	8
Trader Joe's	5	\$751.0K	\$67.54	2.1%	9
Target	14	\$196.1K	\$8.19	1.5%	10
Other	27	\$222.0K	\$13.40	3.4%	
Total	279	\$639.9K	\$17.73		

- King Soopers** (Kroger owned) ranks 1st in banner count and share of sales (83 units, 48% share)
- Safeway** is the only Albertsons company banner in the market, with 42 units and total share of 12% (ranks 3rd in both)
- Albertsons & Kroger's** combined share of sales is 60%

The Kroger Company
Albertsons LLC

SALES

Kroger & Albertsons Sales Performance vs Market

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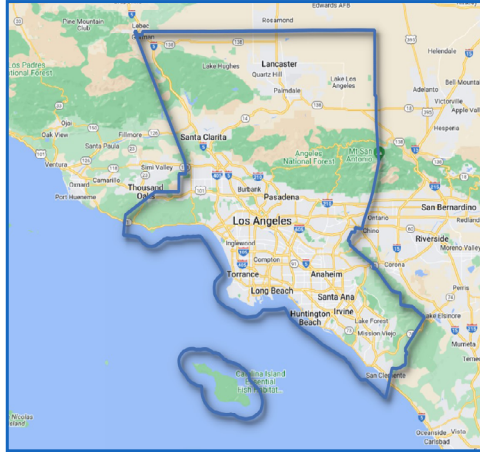
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Market Stores	AWS	\$/SQFT	Market Index - All Grocery		Market Index - Format Group	
			AWS Index	\$/SQFT Index	AWS Index	\$/SQFT Index
King Soopers (Kroger)	\$1,032,152	\$20.31	161	115	123	111
Safeway (Albertsons)	\$512,024	\$13.34	80	75	61	73
Market - All Grocery	\$639,910	\$17.73			76	96
Market - Format Group (Conventional & Quality/Service)	\$841,005	\$18.38	131	104		

LOS ANGELES-LONG BEACH-ANAHEIM, CA



Market Population	12,995,138
Population Rank	2
Population Growth (Proj 5 YR)	2%
Population Growth Since 2010	1%
Median Household Income	\$78,710
Bachelors Degree+	33%
Unemployment Rate	5.2%
Grocery Count (Current)	1,394
New / Planned Grocery Count	34
Grocery Saturation	2.6 sq.ft. / pop.
(31.7% below U.S. Market Avg.)	

■ STI PopStats (2022 Q1 Release)
■ MTN Data

MARKET COMMENTARY

Kroger / Albertsons Background

- Kroger and Albertsons operate the #1 and #2 positions (when all Albertsons banners combined)
- The market's steady share dynamics have fended off encroaching competition for years

Other Market Considerations

- Los Angeles, a fragmented market with many already well-established regional grocers, is one of the most competitive in terms of grocery competition, and there is every national, regional, and local-brand banner represented in this melting pot metro
- Hispanic and Asian format stores make up a significant portion of grocery sales
- Trader Joe's** is a very strong performer here as this area is where it originated
- Aldi** has started making in-roads in this market; now with 20 stores in the area

Acquirer Thoughts

- Many area grocers (**Stater Bros**, **Superior Grocers**, **Aldi**, **SaveMart**, **Raley's**) likely to show interest in or bid on handfuls and even a few dozen stores
- Hispanic format stores also likely to try and grow presence; **Grupo Chedraui** operates **Smart & Final** (98 stores in market) and **El Super** (35 stores in market), and there are also **Cardenas** (10 stores), **Vallarta** (25 area stores), and **Northgate Gonzales** (35 area stores)

CHAIN PERFORMANCE & SHARE OF SALES

Banner	Count	Avg Weekly Sales	Sales/SQFT	% Share	Share Rank
Ralphs	132	\$581.6K	\$18.77	12.6%	1
Trader Joe's	80	\$717.5K	\$68.79	9.4%	2
Vons	80	\$488.3K	\$17.31	6.4%	3
Food4Less	54	\$630.4K	\$15.31	5.6%	4
Smart & Final	98	\$317.1K	\$16.26	5.1%	5
Walmart SC	32	\$938.8K	\$17.89	4.9%	6
Whole Foods Market	39	\$735.1K	\$30.69	4.7%	7
Target	121	\$229.3K	\$10.06	4.6%	8
Albertsons	51	\$504.1K	\$14.33	4.2%	9
Stater Bros.	54	\$433.2K	\$17.19	3.8%	10
Pavilions	24	\$629.2K	\$19.84	2.5%	13
Other	629	\$349.9K	\$17.38	36.1%	
Total	1,394	\$437.0K	\$18.31		

The Kroger Company
Albertsons LLC

- Ralphs** (Kroger owned) ranks 1st in banner count and share of sales (132 units, 12.6% share)
- Vons** is the dominant Albertsons company banner in the market, with 80 units and total share of 6.4%
- Kroger Company** stores combined share of sales is 18.2% (Ralphs, Food4Less)
- Albertsons Company** stores combined share of sales is 13.1% (Vons, Albertsons & Pavilions)
- Albertsons & Kroger's** combined share of sales is over 31%

SALES

Kroger & Albertsons Sales Performance vs Market

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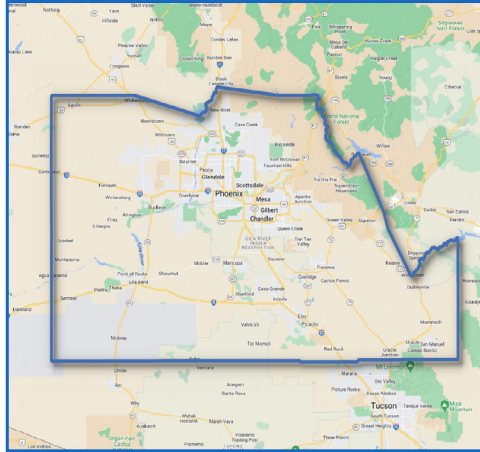
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Market Stores	AWS	\$/SQFT	Market Index - All Grocery		Market Index - Format Group	
			AWS Index	\$/SQFT Index	AWS Index	\$/SQFT Index
Kroger Company - All Banners	\$595,780	\$17.55	136	96	120	101
Ralphs (Kroger)	\$581,629	\$18.77	133	103	117	108
Food4Less (Kroger)	\$630,370	\$15.31	144	84	127	88
Albertsons Company - All Banners	\$515,323	\$16.60	118	91	104	95
Vons (Albertsons)	\$488,313	\$17.31	112	95	98	99
Albertsons	\$504,118	\$14.33	115	78	102	82
Pavilions (Albertsons)	\$629,167	\$19.84	144	108	127	114
Market - All Grocery	\$436,958	\$18.31			88	105
Market - Format Group (Conventional & Quality/Service)	\$496,182	\$17.46	114	95		

PHOENIX-MESA-CHANDLER, AZ



Market Population	5,024,383
Population Rank	10
Population Growth (Proj 5 YR)	8%
Population Growth Since 2010	20%
Median Household Income	\$68,218
Bachelors Degree+	31%
Unemployment Rate	2.3%
Grocery Count (Current)	452
New / Planned Grocery Count	26
Grocery Saturation	3.4 sq. ft. / pop. (8.5% below U.S. Market Avg.)

■ STI PopStats (2022 Q1 Release)
■ MTN Data

MARKET COMMENTARY

Kroger / Albertsons Background

- Very high store overlap between **Fry's** (Kroger), **Safeway**, and **Albertsons** making consolidation challenging

Other Market Considerations

- Given its favorable climate in the winter months, Phoenix sees strong seasonal sales, and residential growth is predicted to remain strong, providing grocery store chains with viable growth opportunities for the foreseeable future
- Well represented by several Natural/Organic chains, including **Sprouts** (Phoenix-based) with 32 units; **Trader Joe's** also has a solid presence in Phoenix, operating 12 stores throughout the metro
- Acquirer Thoughts**
- Raley's** acquired **Bashas' / Food City** in 2021 and could see this as opportunity to quickly grow its presence
- Winco** generally needs a larger store for its warehouse format stores though may be interested in attractive divested real estate
- Hispanic operators **Grupo Chedraui** and **Cardenas** operate about 20 stores in the area; with about 43% of population being Hispanic, strong likelihood for further Hispanic store growth

CHAIN PERFORMANCE & SHARE OF SALES

Banner	Count	Avg Weekly Sales	Sales/SQFT	% Share	Share Rank
Fry's	96	\$917.7K	\$15.79	33.5%	1
Walmart SC	49	\$1041.2K	\$19.82	19.4%	2
Safeway	56	\$559.3K	\$14.24	11.9%	3
Sprouts	33	\$384.3K	\$19.59	4.8%	4
Albertsons	21	\$457.1K	\$11.30	3.7%	5
Bashas'	26	\$335.2K	\$10.38	3.3%	6
Food City	29	\$298.3K	\$11.80	3.3%	7
WinCo	7	\$983.6K	\$12.85	2.6%	8
Trader Joe's	12	\$532.1K	\$59.78	2.4%	9
Walmart NM	16	\$391.3K	\$12.77	2.4%	10
Other	107	\$309.5K	\$12.34	12.6%	
Total	452	\$581.3K	\$15.24		

The Kroger Company
Albertsons LLC

- Fry's** (Kroger owned) ranks 1st in banner count and share of sales (96 units, 33.5% share)
- Safeway** is the dominant Albertsons company banner in the market, with 56 units and total share of 11.9%
- Albertsons Company** stores combined share of sales is nearly 16% (Safeway & Albertsons)
- Albertsons & Kroger's** combined share of sales is over 49%

SALES

Kroger & Albertsons Sales Performance vs Market

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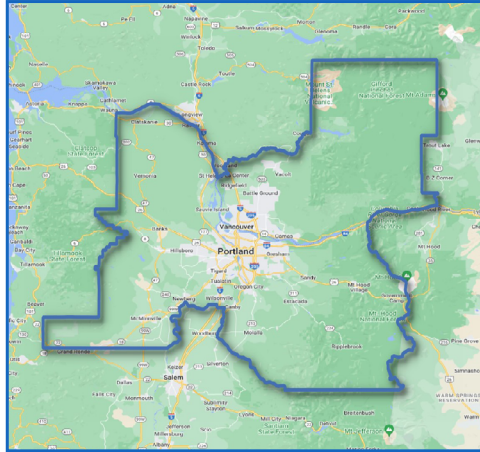
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Market Stores	AWS	\$/SQFT	Market Index - All Grocery		Market Index - Format Group	
			AWS Index	\$/SQFT Index	AWS Index	\$/SQFT Index
Fry's (Kroger)	\$917,743	\$15.79	158	104	139	108
Albertsons Company - All Banners	\$531,429	\$13.42	91	88	81	92
Safeway (Albertsons)	\$559,286	\$14.24	96	93	85	97
Albertsons	\$457,143	\$11.30	79	74	69	77
Market - All Grocery	\$581,280	\$15.24			88	104
Market - Format Group (Conventional & Quality/Service)	\$658,919	\$14.65	113	96		

PORTLAND-VANCOUVER-HILLSBORO, OR-WA



Market Population	2,512,985
Population Rank	25
Population Growth (Proj 5 YR)	5%
Population Growth Since 2010	13%
Median Household Income	\$79,849
Bachelors Degree+	39%
Unemployment Rate	3.4%
Grocery Count (Current)	277
New / Planned Grocery Count	7
Grocery Saturation	3.4 sq.ft. / pop.
(10.2% below U.S. Market Avg.)	

■ STI PopStats (2022 Q1 Release)
■ MTN Data

MARKET COMMENTARY

Kroger / Albertsons Background

- **Fred Meyer** dominates the market with upscale supercenters; its focus has always been grocery, but it does a terrific job on the non-foods side as well; **QFC** (the other Kroger banner) has struggled
- **Safeway** is second in share of supermarket sales and it remodeled all its stores about a decade ago so some stores are starting to age; however, its locations are solid operators in general with average sales volumes
- **Albertsons** banner stores not very strong in the market with lower \$/sq ft results; its stores are plain and often very dated

Other Market Considerations

- Low price market led by **Winco** and **Grocery Outlet**, which has made a significant push into this metro in the past 5-7 years
- There is an unusual number of Natural/Organic format stores with **New Seasons**, **Market of Choice**, **Whole Foods**, **Chuck's Produce**, and **Zupan's**; New Seasons has a very loyal following and is well respected in this market
- Recent civil unrest and uncertainty may impact bidding interest. E.g. **Walmart** closed all of its stores in the city of Portland in March 2023

Acquirer Thoughts

- While there are no evident in-market grocers to acquire a significant number of stores, a strong wholesaler looking to expand (like **SpartanNash** which currently lacks a West Coast presence) could be an option, or **SpinCo**

CHAIN PERFORMANCE & SHARE OF SALES

Banner	Count	Avg Weekly Sales	Sales/SQFT	% Share	Share Rank
Fred Meyer	36	\$1.05M	\$18.75	25.5%	1
Safeway	51	\$549.4K	\$16.49	18.9%	2
WinCo	15	\$1314.7K	\$21.12	13.3%	3
New Seasons Market	19	\$581.8K	\$28.38	7.5%	4
Walmart SC	10	\$799.0K	\$15.82	5.4%	5
Trader Joe's	10	\$780.6K	\$74.21	5.3%	6
Albertsons	13	\$408.1K	\$11.75	3.6%	7
Whole Foods Market	8	\$496.9K	\$18.86	2.7%	8
Target	18	\$207.2K	\$8.64	2.5%	9
Grocery Outlet	24	\$149.2K	\$10.64	2.4%	10
QFC	5	\$461.0K	\$18.15	1.6%	12
Other	68	\$248.2K	\$13.53	11.4%	
Total	277	\$535.1K	\$17.53		

The Kroger Company
Albertsons LLC

- **Fred Meyer** (Kroger owned) ranks 1st in share of supermarket sales (25.5%)
- **Safeway** (Albertsons owned) ranks 2nd in terms of share (18.9%) and 1st in banner count (51 stores)
- **Kroger Company** stores combined share of sales is just over 27% (Fred Meyer, QFC)
- **Albertsons Company** stores combined share of sales is 22.5% (Safeway & Albertsons)
- **Albertsons & Kroger's** combined share of sales is nearly 50%

SALES

Kroger & Albertsons Sales Performance vs Market

Table Key

100 Index = Average

80 Index = 20% below Average

120 Index = 20% Above Average

Market Stores	AWS	\$/SQFT	Market Index - All Grocery		Market Index - Format Group	
			AWS Index	\$/SQFT Index	AWS Index	\$/SQFT Index
Kroger Company - All Banners	\$979,268	\$18.72	183	107	153	109
Fred Meyer (Kroger)	\$1,051,250	\$18.75	196	107	164	110
QFC (Kroger)	\$461,000	\$18.15	86	104	72	106
Albertsons Company - All Banners	\$520,703	\$15.50	97	88	81	91
Safeway (Albertsons)	\$549,412	\$16.49	103	94	86	96
Albertsons	\$408,077	\$11.75	76	67	64	69
Market - All Grocery	\$535,056	\$17.53			84	102
Market - Format Group (Conventional & Quality/Service)	\$640,372	\$17.12	120	98		

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