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Albertson's Gets Bristol Farms

by Brenon Daly



Albertson's Inc. said late Tuesday, Sept. 21, that it will pay an undisclosed amount to **Oaktree Capital Management LLC** for **Bristol Farms**, a small, Southern California grocery chain that specializes in pricey produce and gourmet items.

Sources put the purchase price at about \$150 million for Bristol Farms, which recorded about the same level of sales at its 11 stores. Chief executive Kevin Davis was not available for comment.

Oaktree invested \$25 million in mezzanine financing in February 1995. After taking over control of the grocery chain from the now-defunct investment firm Kidd Kamm & Co., Oaktree recapitalized Bristol Farms in 1998.

While declining to reveal Oaktree's return on its investment in the chain of swanky supermarkets, Lloyd Greif said Albertson's acquisition of Bristol Farms was "a home run to straight-away center field" for the fellow Los Angeles firm. Greif, co-founder and chief executive of **Greif & Co.**, served as Oaktree's representative.

Bristol Farms will be run as an independent business under Albertson's, a food and drug retailing giant with \$35

billion in annual sales from its main Albertson's stores as well as Jewel-Osco, Sav-On Drugs, Acme and other chains it owns.

As a high-end grocery, Bristol Farms posts gross margins that are about twice the industry average.

Albertson's, in particular, has struggled with running its stores as profitably as possible. It now has a lower return on invested capital (4%) than rivals **Kroger Co.** (5.9%) and **Safeway Inc.** (6.4%), according to **Deutsche Bank** analyst Edouard Aubin.

"Bristol Farms is clearly a diversification play for Albertson's," Greif said. "Historically, they've competed on price ...but that puts them squarely in the crosshairs of Wal-Mart and Costco." Albertson's, he added, would look to expand Bristol Farm's upscale, gourmet concept beyond Southern California.

The acquisition of Bristol Farms comes six months after Albertson's acquired Shaw's to bolster operations in New England. With sales of \$4.4 billion, Shaw's was the second-largest grocery chain in the region.

Albertson's paid \$2.5 billion for Shaw's to British food giant **J Sainsbury plc**. The price worked out to about 7 times EBITDA, slightly richer than the multiple Albertson's enjoys.