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Albertson's Moves Upscale With Bristol Farms Purchase

By JAMES F. PELTZ
TIMES STAFF WRITERS

Shopping in the gourmet aisle, supermarket giant **Albertson's**, Inc. on Tuesday bought Bristol Farms, which operates 11 upscale food stores in Southern California.

The price paid to Bristol Farms' owner, the Los Angeles investment firm **Oaktree Capital Management**, wasn't disclosed. But sources close to the companies said the deal was valued well in excess of \$100 million.

Bristol Farms, based in Carson, is a 22-year-old chain with stores in Los Angeles, Orange and Ventura counties. It has annual sales of between \$150 million and \$175 million, and 1,250 employees.

Albertson's said Bristol Farms would continue to be run by its current management, led by Chief Executive Kevin Davis.

For Albertson's, a Boise, Idaho-based chain with annual sales of \$35 billion, the transaction provides entry into the gourmet-food market, where profit margins are substantially higher than the slim 1% to 2% common in the supermarket business.

With its deep pockets, Albertson's is expected to expand the Bristol Farms franchise.

"This acquisition is the latest example of our dedication to diversify into new formats that can accelerate growth, tap into new customer segments and maximize return on invested capital," Albertson's Chief Executive Larry Johnston said in a statement.

Albertson's has 2,500 retail stores in 37 states, making it the nation's second-largest conventional supermarket chain behind **Kroger** Co. Besides its namesake grocery stores, Albertson's owns several drugstore chains, including Sav-on Drugs.

Albertson's has been waging an increas-

ingly tough battle not only with other conventional grocery chains, but also with mass-merchandisers such as **Wal-Mart Stores Inc.** that are becoming a huge force in groceries using cut-rate prices.

Albertson's also is still smarting from the 4½-month grocery strike and lockout in Central and Southern California that ended in February. Albertson's and Kroger's Ralphs chain locked out their union workers after members of the United Food and Commercial Workers union struck **Safeway Inc.**'s Vons and Pavilions chains.

In the six months ended July 29, Albertson's net income plunged 58% from a year earlier, to \$140 million from \$334 million, in part because of price cutting, promotions and other costs related to Albertson's effort to regain customers after the labor dispute.

During the dispute, many shoppers avoided the three major supermarket chains and bought their groceries at smaller, specialty firms such as Bristol Farms, **Trader Joe's**, the Gelson's unit of **Arden Group Inc.** and **Whole Foods Market Inc.**

Bristol Farms gives Albertson's "the ability to operate smaller-format stores that differentiate themselves not based on price, but based on quality, service and selection," said Lloyd Greif, president of Greif & Co., a Los Angeles investment bank that represented **Oaktree Capital**.

Bristol Farms offers meat, fish and poultry and produce, as well as a large prepared-food and catering service that cooks up such items as traditional cookies and full holiday meals — with upscale prices to match.

Whether Albertson's applies its low-price formula to Bristol Farms remains to be seen. But Davis said Bristol Farms itself experi-

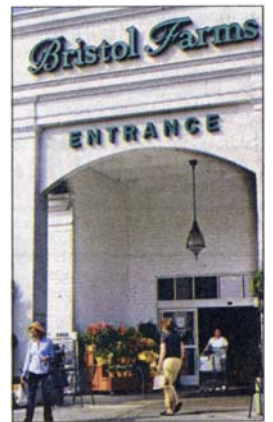
mented unsuccessfully with lower prices three years ago. The move boosted sales, but "we weren't delivering the [profit] margins we needed," the trade publication *Supermarket News* reported Davis saying in a speech last year.

Bristol Farms was started in 1982 by Irving Gronksy and Mike Burbank after they sold their successful meatpacking business. They opened the first store in Rolling Hills Estates, naming it after a street in West Los Angeles, and adding the "Farms" to emphasize their fresh products.

They sold the company in 1995 to an investment firm named **Kidd, Kamm & Co.**, with financing from **Oaktree**, Greif said. Three years later, **Oaktree** — which now has \$27 billion in assets under management — took over majority ownership of Bristol Farms, he said.

Albertson's stock slipped a penny to \$23.95 a share Tuesday on the New York Stock Exchange. The acquisition was announced after the markets closed.

Times staff writer *Annette Haddad* contributed to this report.



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The deal for Bristol Farms is said to exceed \$100 million