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Supervalu, CVS buy grocery chain

Albertson's Inc., said it has agreed to sell the company for about \$9.7 billion in cash and stock to an investment group including supermarket chain Supervalu Inc. and drugstore chain CVS Corp.

Eric Wieffering, Star Tribune

Eden Prairie-based Supervalu Inc. will become the country's second-largest traditional grocery store chain with its acquisition of 1,124 stores Albertsons stores.

Albertson's Inc., said it has agreed to sell the company for about \$9.7 billion in cash and stock to an investment group including supermarket chain Supervalu Inc. and drugstore chain CVS Corp.

The deal comes about a month after an earlier attempt by the consortium at reaching a deal for Albertson's collapsed. Albertson's owns the Jewel, Acme and Shaw's grocery stores and Sav-on Drugs and Osco Drug stores.

The companies said the total value of the transaction was \$17.4 billion including debt being assumed by the buyers.

Under the terms of the transaction, Albertson's stockholders will receive \$26.29 a share in cash and stock, a 9 percent premium over Albertson's closing price on Friday of \$24.11.

That includes \$20.35 in cash and a fixed exchange ratio of 0.182 shares of Supervalu stock for each Albertson's share. The stock portion of the deal is worth \$5.94 per share, based on Supervalu's 20-day average closing price of \$32.65 per share.

The \$17.4 billion figure also assumes the settlement of the Albertson's Hybrid Income Term Security units, the companies said.

Albertson's shares rose 90 cents, or 3.7 percent, to \$25.01 in morning trading on the New York Stock Exchange while Supervalu shares slipped 2 cents to \$31.83 and CVS shares dropped 36 cents, or 1.3 percent, to \$26.77.

Supervalu, based in Minneapolis, is paying about \$6.3 billion in stock and cash and will assume approximately \$6.1 billion of Albertson's debt for 1,124 Albertson's stores. The deal makes Supervalu the nation's second-largest supermarket chain after Kroger Co.

CVS of Woonsocket, R.I., is purchasing about 700 stand-alone 700 stand-alone

Sav-on and Osco Drugstores and Albertson's ownership interests in the drugstore real estate for about \$2.9 billion. The chain now operates more than 5,000 stores.

The other purchasers, led by Cerberus Capital Management L.P., include real estate investment trust Kimco Realty Corp., Schottenstein Stores Corp., Lubert-Adler Partners and Klaff Realty. The Cerberus-led group will acquire stores in Dallas/Ft Worth, Northern California, Florida, the Rocky Mountains and the Southwest, and the group plans to operate the stores under the Albertson's name.

Following the transaction, approximately 65 percent of the new Supervalu will be held by existing Supervalu stockholders, and approximately 35 percent will be held by Albertson's stockholders on a fully diluted basis reflecting options, awards and the settlement of the HITS.

The boards of Supervalu, CVS and Albertson's, as well as the investment committees or equivalents of the Cerberus-led group, have approved the transaction.

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