



In the News

**Restructuring Specialist Sees Trouble For Grocers**

3 September 2004

Corporate Financing Week

Grocery store chains such as Safeway Stores Inc., and Albertsons Inc., Winn-Dixie Stores and The Kroger Co. are facing serious financial issues due to their high cost structure and competitive forces, said Craig Dean, principal and managing director at turnaround firm AEG Partners. This will likely lead to consolidation in the industry, the divestitures of stores in underperforming markets, major restructuring or possibly even bankruptcy. Dean declined to comment on whether his firm had contacted these stores in particular, but did say it has had conversations with similar companies.

The type of consolidation one might expect to see is a company with a weak presence in one geographic market selling off its stores in that region to another entity with a stronger presence in that area, said Dean.

Consumers are increasingly shopping at more diversified supermarkets such as Wal-Mart Stores, Costco Wholesale and Target Corp. which, unlike the traditional grocers, are non-unionized and have lower distribution costs, said Dean.

"It's not imminent that they [traditional grocers] are going to file for bankruptcy but they do have problems," said Dean. "It's too early to tell right now, but the next 12 to 18 months is a critical time to determine whether they will need to restructure or even go into bankruptcy."

Of all the companies, Winn-Dixie is feeling the heat the most and has had to close down a number of their stores, added Dean. Representatives from the four businesses mentioned did not return calls seeking comment by press time.