

Deal of the Week: Albertsons to Merge with Rite Aid

Announcement Date	<ul style="list-style-type: none"> February 20, 2018 	
Acquirer	<ul style="list-style-type: none"> Albertsons Companies LLC 	
Acquirer Description	<ul style="list-style-type: none"> American grocery company privately-owned and operated by investors, including Cerberus Capital Management With 2,200+ stores and 250,000+ employees, the company is the second-largest supermarket chain in North America after Kroger Founded in 1939 and headquartered in Boise, Idaho 	
Target Company	<ul style="list-style-type: none"> Rite Aid Corporation (NYSE: RAD) 	
Target Description	<ul style="list-style-type: none"> Operates a chain of retail drugstores in the United States Founded in 1927 and headquartered in Camp Hill, Pennsylvania 	
Target Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$1.8 billion EV: \$4.8 billion LTM Revenue: \$21.5 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$514.9 million LTM EV / Revenue: 0.2x LTM EV / EBITDA: 9.2x
Acquirer Advisors	<ul style="list-style-type: none"> Credit Suisse, Goldman Sachs, Bank of America Merrill Lynch 	
Target Advisor	<ul style="list-style-type: none"> Citi 	
Price / Consideration	<ul style="list-style-type: none"> Undisclosed 	<ul style="list-style-type: none"> Cash and stock
Rationale	<ul style="list-style-type: none"> The deal with Albertsons underlines the change in course that retailers are taking, no longer looking to expand only by real estate footprint, but also by capability. Increasingly, retailers are looking to pharmacies for this expansion, which can take advantage of the frequency with which people buy prescription drugs. There is also the opportunity to use store footprints as a base for drug delivery and pick up Rite Aid brings to Albertsons 2,569 pharmacies in 19 states and a large presence on the East and West Coasts as well as a pharmacy benefit manager EnvisionRx, which works with employers and government health programs like Medicare to better control drug costs. PBMs are the middlemen between drug makers and patients when it comes to buying prescription drugs and getting discounts for their customers For Albertsons, the deal presents an opportunity for its private equity owner, Cerberus Capital Management, to bring the supermarket chain onto the public market a dozen years after its formation "The combined platform positions Rite Aid to capitalize on our pharmacy expertise and expand and enhance our pharmacy footprint," Rite Aid CEO Standley said The combined company expects cost synergies to contribute \$375 million to EBITDA within three years 	
Deal Points	<ul style="list-style-type: none"> The combined company will have a value of roughly \$24 billion, including debt Under the terms of the agreement, in exchange for every 10 shares of Rite Aid common stock, Rite Aid shareholders will have the right to elect to receive either (i) one share of Albertsons Companies common stock plus approximately \$1.83 in cash or (ii) 1.079 shares of Albertsons stock Upon the deal's closing, Rite Aid will own up to a 29.6% stake in the combined company and current Albertsons shareholders will own up to 72% 	
Of Note	<ul style="list-style-type: none"> This deal follows Rite Aid's failed attempt in 2015 to sell to its 4,600 stores to Walgreens. That deal was whittled down by regulators to a purchase of 1,932 stores for \$4.37 billion 	