



NEW WORLD ORDER

CURRENT WORLD ORDER

Current Economic Outlook

- The economy continues to sail through the high seas of uncharted economic waters
- The good news is that consumers are still living for today and putting off tomorrow's challenges
- Alternative retailers have captured market share from traditional grocery retailers and continue to erode industry profitability
- Public equity markets have taken a “wait and see” attitude towards supermarkets
 - Is the conventional supermarket format a dinosaur?
- The cost of debt capital is currently inexpensive
 - It is a great time to make an acquisition

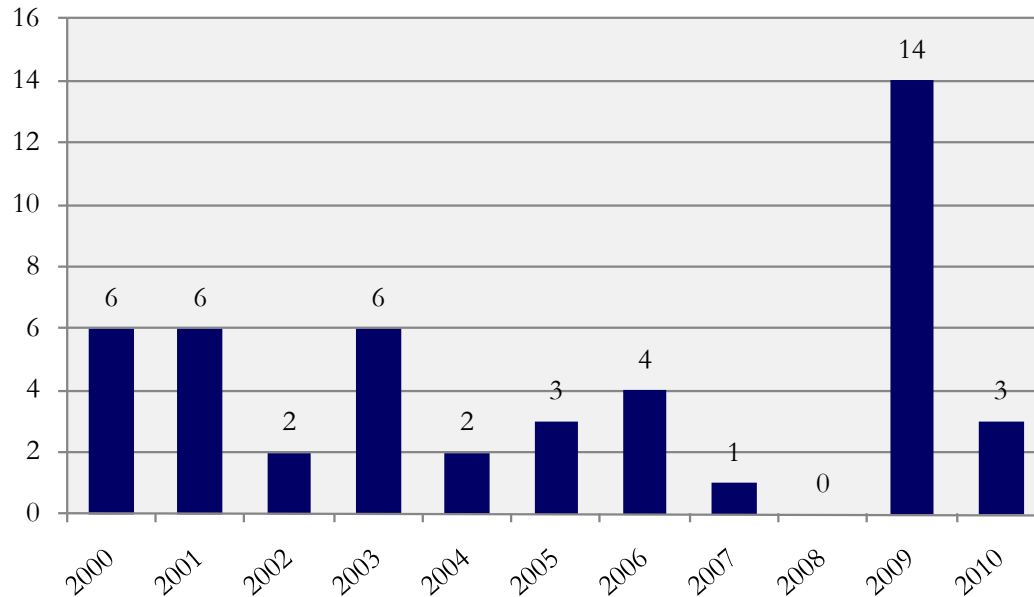
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Industry Overview

- Increasing operating expenses and union pension issues are putting pressure on the supermarket distribution network
- The majority of the retailers that radically altered their “go to” market strategy in the last year were not rewarded
- Underperforming retailers are deteriorating at an accelerating rate given the economic climate
- The pace of divestiture or closure of underperforming stores is accelerating
- Retailers’ outlook for the future are separated into 2 categories:
 - Those that want to grow because they need to spread overhead expense
 - Those that want to exit because they do not want to go the next round

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Historic U.S. Supermarket Retail Bankruptcy Statistics

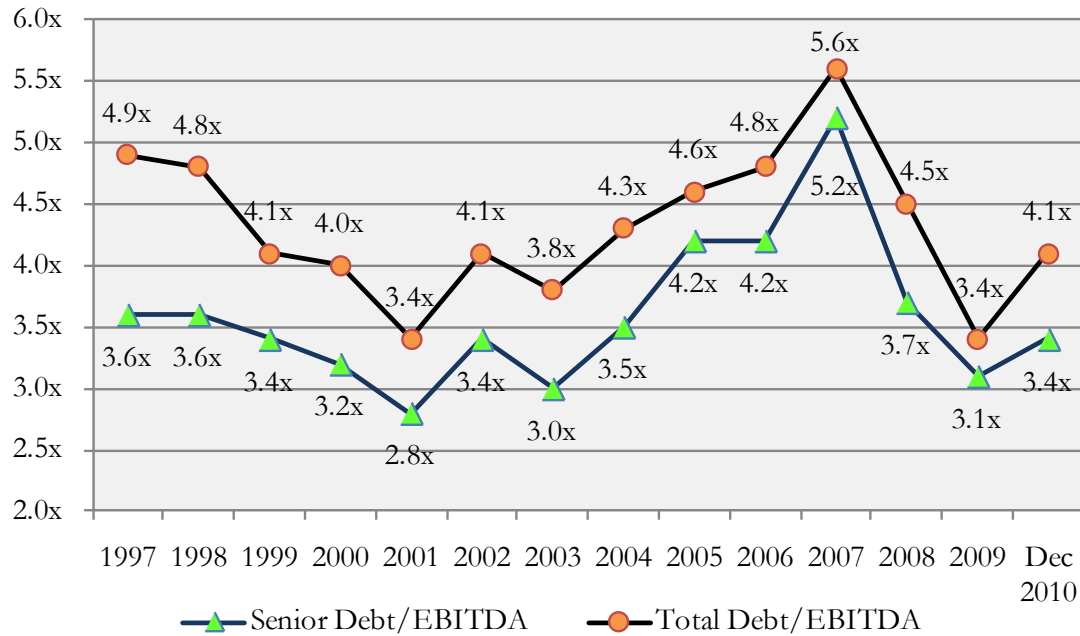


- The industry experienced a material increase in corporate bankruptcies in 2009
 - The bankruptcy increase followed the global recession, with a delay of about 12-18 months

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Average Proforma Adjusted Credit Statistics of Middle Market LBO Loans

U.S. Companies with less than \$50 million of EBITDA

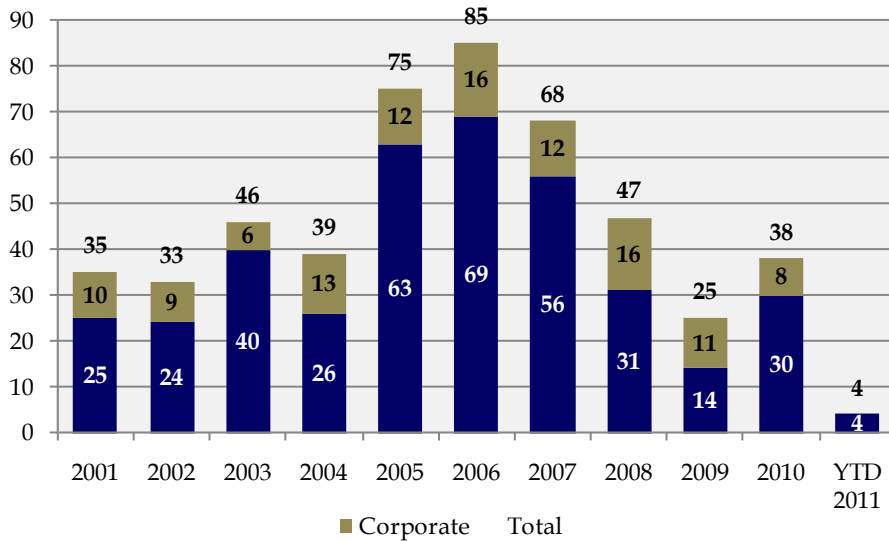


- Retailers undertaking acquisitions have access to debt capital
- Pricing continues to improve as competition between banks increases
- Absolute interest rates are at a historic lows

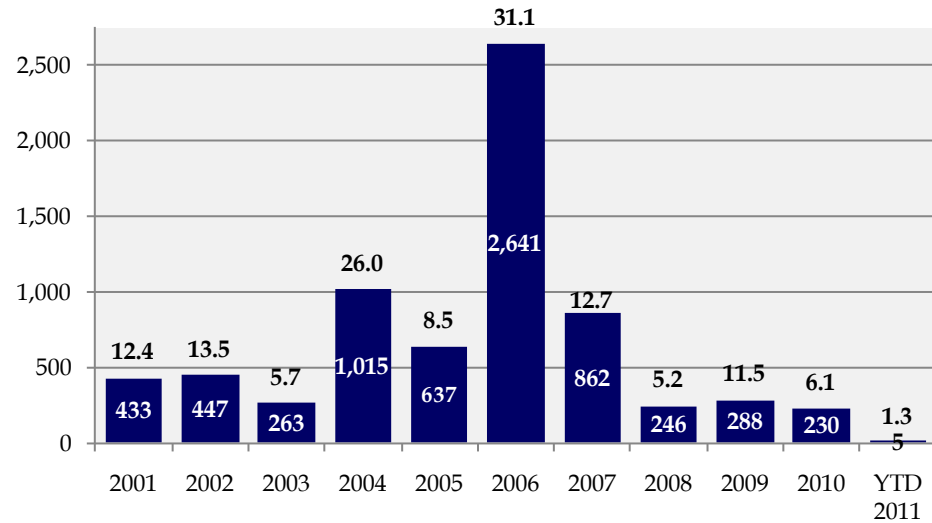
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Mergers & Acquisitions

Corporate versus Portfolio Transactions



Number of Stores Sold / Average Stores Per Transaction



- Level of transactions in 2009 stalled due to economic meltdown
- Number of corporate transactions have declined due to “pick of the litter” strategy
- Estimated level of activity in 2011 should equal that in 2008
- Average number of stores sold per transaction will increase

CURRENT WORLD ORDER

Summary of Merger & Acquisition Activity

- The number of retail grocery acquisition opportunities continues to exceed the number of transactions consummated
- Strategic buyers are focused on “in market” acquisitions
- Larger transactions involving regional players are “on hold”
- All buyers have adopted the “pick of the litter” strategy
- Almost every transaction is becoming a “break-up play”

CURRENT WORLD ORDER

Corporate Overhead Review

- Retailers have been focused on reducing operating expenses over the last 12 months
 - The primary focus has been on overhead expenses
- Benchmarking and identifying best practices has been difficult
 - The method used to allocate support and supervision of staff varies greatly between retailers
 - Other operating expenses are not consistently allocated to store-level or not allocated at all
 - There are significant differences between the amount of resources required to support various formats
 - As some retailers rely on their wholesaler for retail support services and others outsource specific functions, a headcount analysis becomes blurred
 - The level of investment in technology and systems varies greatly

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Results of Corporate Overhead Review at Retail

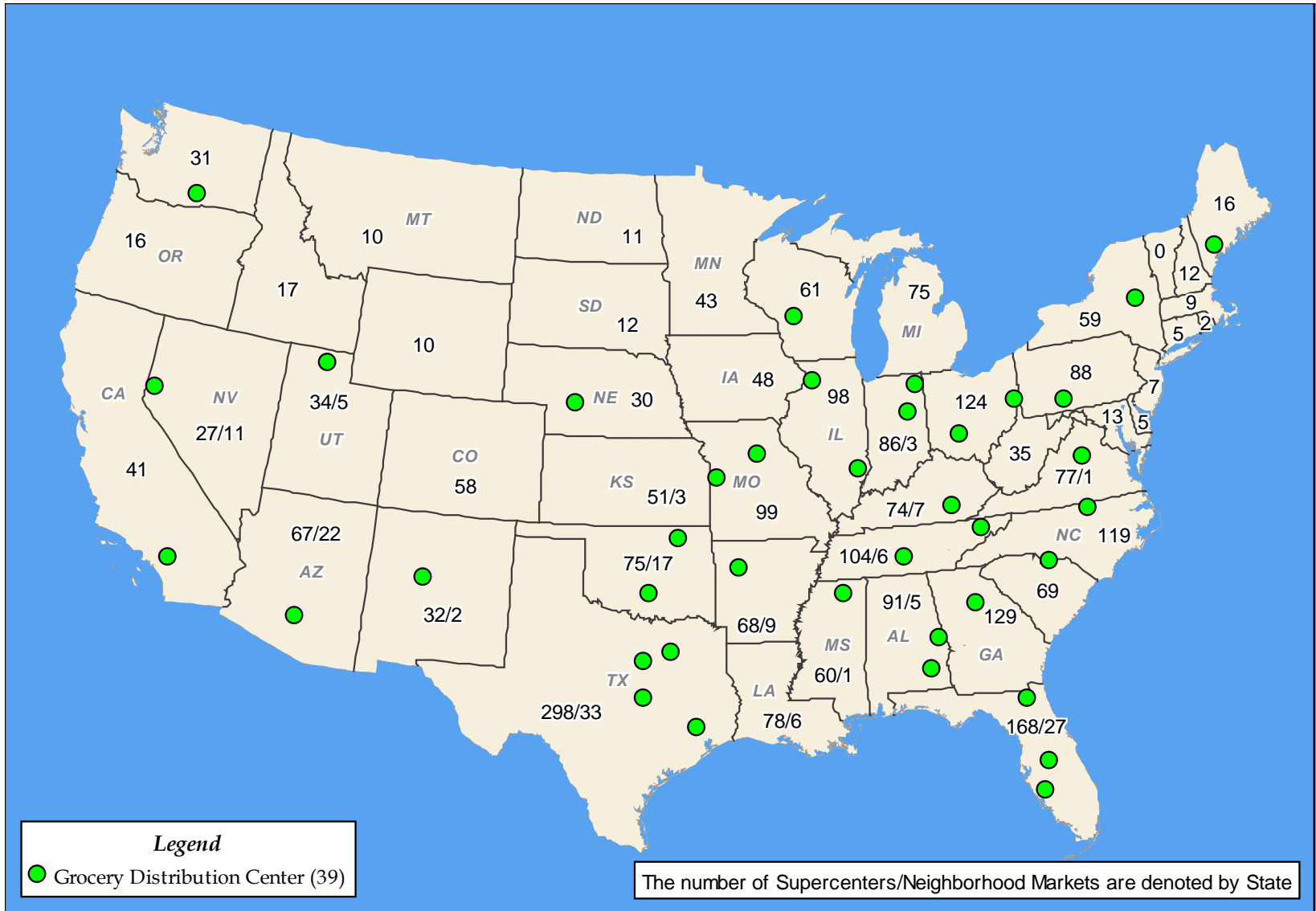
- Retailers that operated 1 to 5 stores
 - Attempted to have minimal corporate support
 - Outsourced to their wholesaler or other service provider
 - Had the lowest overhead
- Retailers that operated 6 to 20 stores
 - Were too small to be big and too big to be small
 - Were duplicating what their wholesaler could provide
 - Had the greatest corporate overhead challenge to overcome depending on volume and format
- Retailers that operated 21 to 100 stores
 - Had depth in management
 - Had invested in technology and systems to reduce “back office” staff
 - Had achieved economies of scale
 - Were looking for an efficient distribution partner (not retail services)

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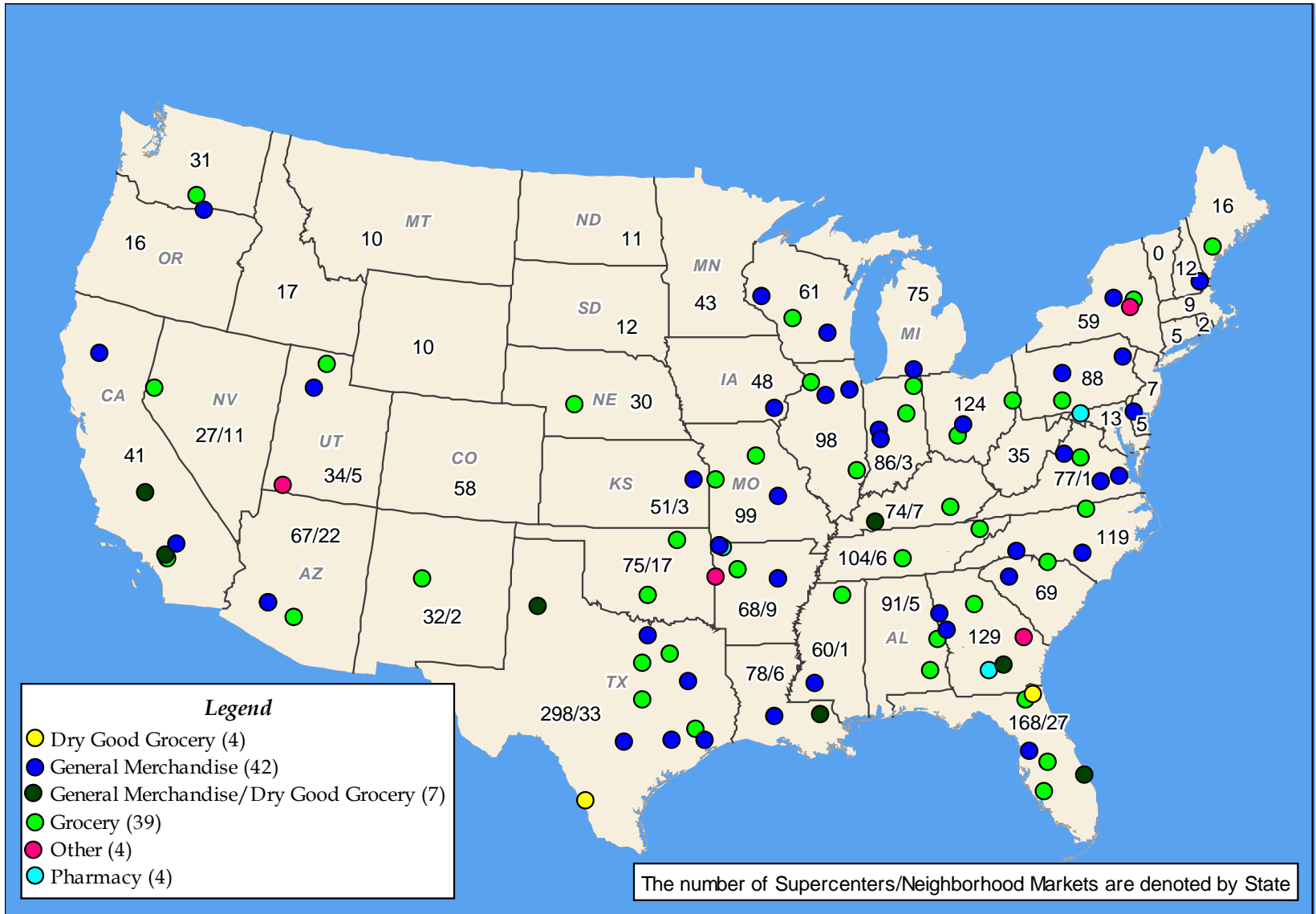
Results of Corporate Overhead Review at Retail

- On a comparable basis, corporate overhead for retailers varied between 1.5% to 4.0% of sales
 - Predicated on normalizing shareholder compensation and on the number of stores operated
- The greatest difference in headcount between retailers with similar formats was in the following function areas:
 - Buyers/merchandisers
 - Hosting and pricing
 - Accounting staff
- It was difficult to compare overhead expenses by functional area between retailers given that retailers outsourced specific functions and were allocating the cost to the store-level
- There is a substantial cost savings to be realized by eliminating the duplication of expenses incurred at both the retail and distribution levels

WALMART GROCERY DISTRIBUTION NETWORK



WALMART TOTAL DISTRIBUTION NETWORK

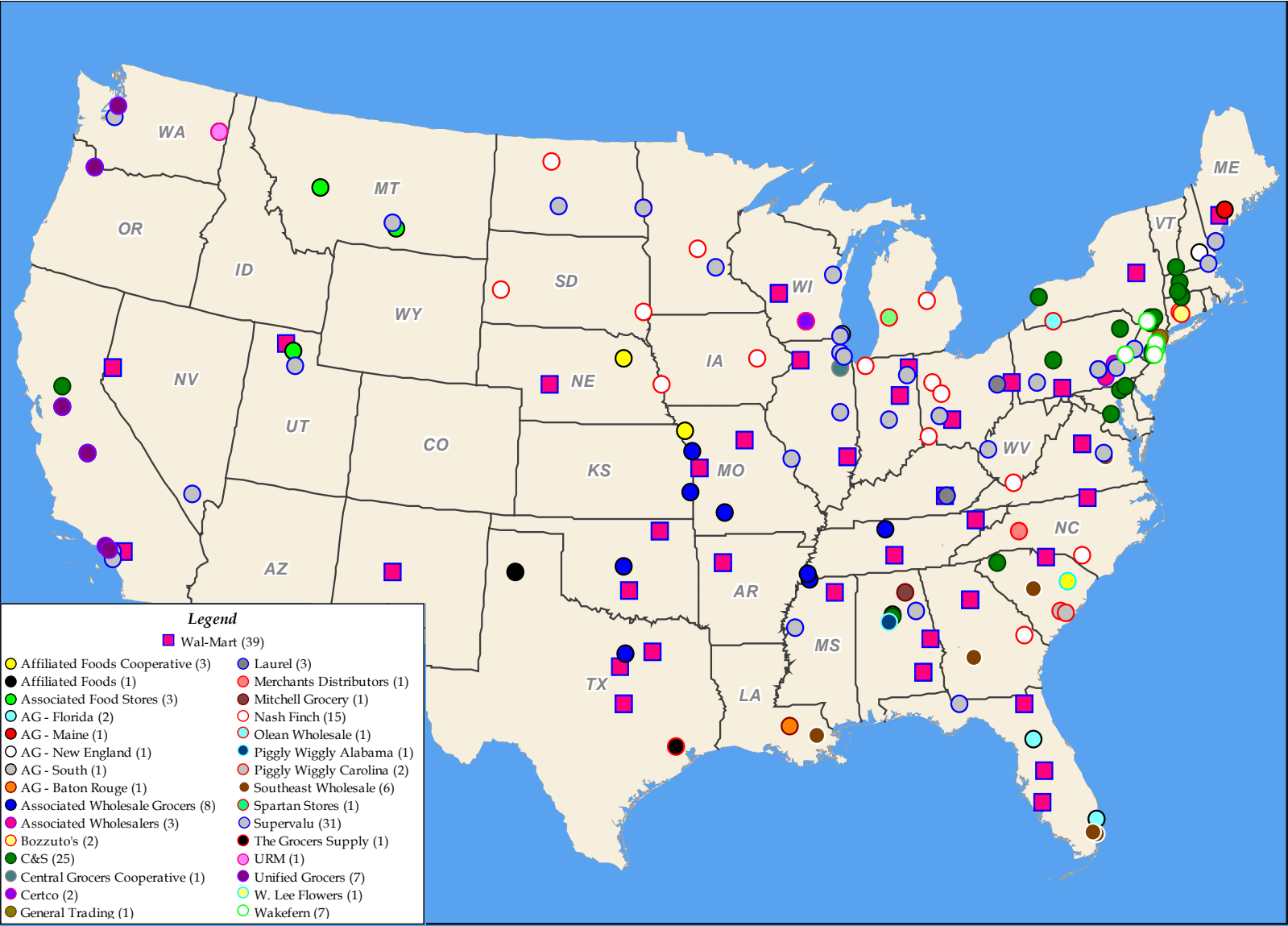


Overview

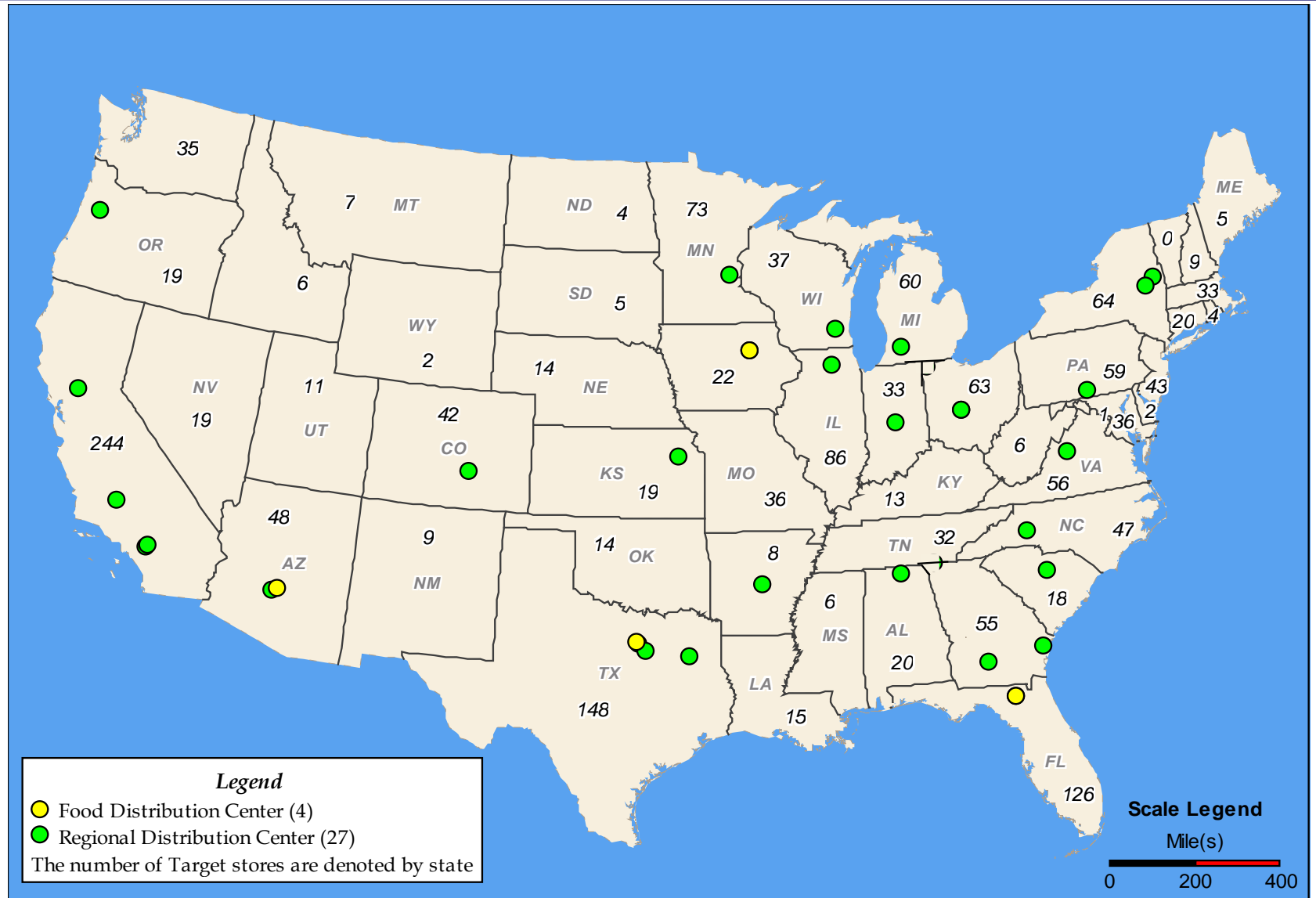
- \$131.7 billion (51%) of Walmart's 2010 U.S. revenue of \$258.2 billion was grocery related
- Discount store units have declined in the last 5 years from 1,350 to 803
- Walmart's 2010 annual report stated that:
 - Of its \$13 billion 2011 capital expenditure budget, 31% was allocated to new stores, including expansions and relocations in the U.S.
 - Projected number of Supercenters planned - 145 to 160 units
 - Projected number of Sam's Clubs planned - 5 to 10 units

Format	Units ⁽¹⁾
Discount Stores	803
Supercenters	2,747
Neighborhood Markets	158
Sam's Clubs	596
Total	4,304

LEADING U.S. GROCERY WHOLESALERS



TARGET TOTAL DISTRIBUTION NETWORK



TARGET

Overview

- Target's 2010 annual report will be released in the next month; however, based on the 2009 annual report:
 - \$10.5 billion (16%) of Target's total revenue was grocery related
 - \$232 million was spent on new stores, which was 52% of capital expenditures
 - 76 new stores were opened
 - Target introduced a new prototype "PFresh" store which sells an expanded assortment of perishable, frozen, dry, and dairy grocery items in Target's current general merchandise format and is attached to existing Target stores
 - 108 PFresh stores were added to Target stores in fiscal 2009
 - Target planned to add 350 new PFresh stores to its existing locations in 2010 based on consumer research from the stores' introduction in 2009
 - Target expected to open 13 new stores in 2010 and between 20 and 30 new stores in 2011
 - As of August 2010, there were 1,743 Target stores in the U.S. of which 251 were SuperTargets



THE WORLD

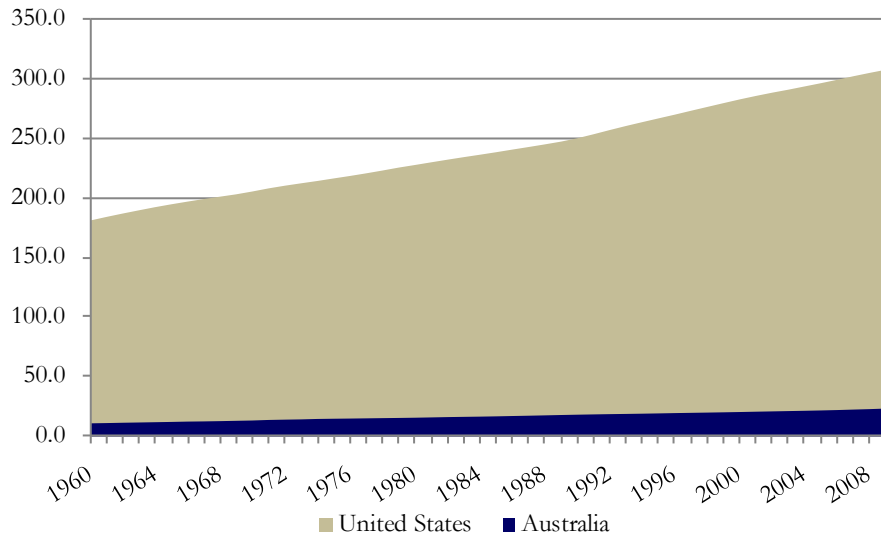
AUSTRALIA



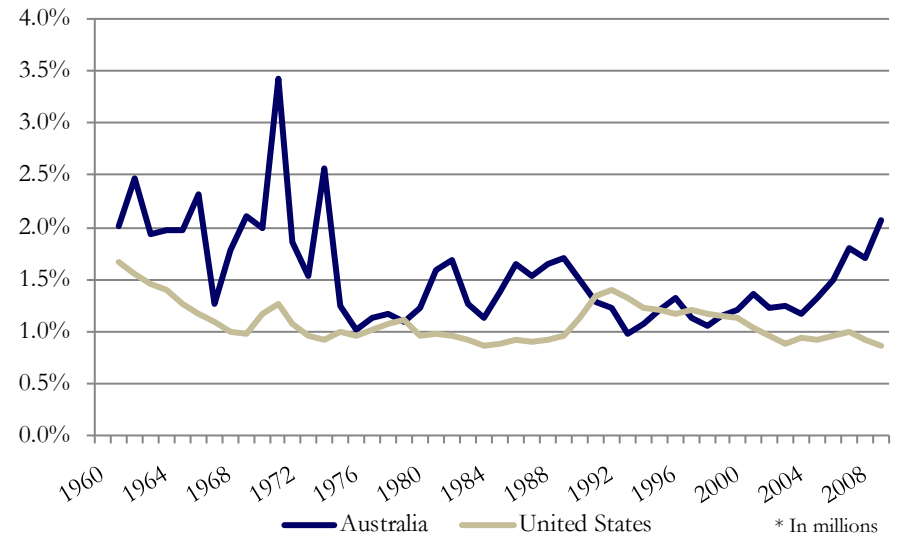
AUSTRALIA VS. U.S.

Population Growth Trends

Total Population



Change in Population



- In 2009, the population of Australia was 7.1% of the U.S.

Overview

- Metcash is Australia's leading wholesale distribution and marketing company
- The company had revenue of USD 9.0 billion and a 19.9% market share at retail
- Metcash operates under 4 divisions
 - IGA Distribution
 - 16 major distribution centers serve over 2,500 independent retailers (over 1,300 IGA independents, over 700 Foodworks stores and over 500 non-branded independents)
 - Australian Liquor Marketers
 - Operates over 18 DCs in Australia and New Zealand serving over 15,000 hotels, liquor stores, restaurants and other licensed premises
 - Campbell's Wholesale
 - 35 distribution centers serving independent retailers, convenience and the hospitality/foodservice customers
 - Services over 100,000 small business customers across Australia

Overview

- Mitre 10 (hardware business, 50.1% owned by Metcash)
 - Australia's only independent home improvement and hardware wholesaler serving over 430 Mitre and 10 True Value hardware stores
- In July 2010, Metcash announced it would acquire the Franklins chain of 85 supermarkets, comprising 77 corporate stores and supply to 8 franchised stores
 - The transaction is under review by the antitrust body of Australia

IGA - U.S. IGA RETAIL NETWORK



IGA - U.S. IGA EXPRESS RETAIL NETWORK



IGA

Overview

- Independent Grocers Alliance (“IGA”) banner is used by numerous independent supermarkets mostly operating in rural markets in the U.S.
- IGA is the world’s largest voluntary supermarket network
- IGA has over 1,250 U.S. locations, operating in 46 states and more than 40 countries, commonwealths and territories on all six inhabited continents
- The Alliance includes over 5,000 Hometown Proud Supermarkets worldwide, supported by 36 distribution companies and more than 55 major manufacturers, vendors and suppliers encompassing everything from grocery to equipment items
- In the U.S., 24% of supermarkets are independently owned and operated
 - IGA has 1,250 stores comprising 12% of the total independent store count
 - Sales by IGA stores represents 1.3% of all supermarket sales

Overview

- IGA has penetrated different countries/ by focusing on different consumer demands

- Australia:

- Approximately 1,400 stores and \$7 billion USD in sales
- Average shopper is 45 years old
- Average store size is 35,000 square feet

- China:

- Approximately 1,500 stores and \$9 billion USD in sales
- Average shopper is 38 years old
- Average store size is 80,000 square feet

- Poland:

- Approximately 150 stores and \$500 million USD in sales
- Average shopper is 50 years old
- Average store size is 10,000 square feet

- U.S.:

- Approximately 1,250 stores and \$7 billion USD in sales
- Average shopper is 59 years old
- Average store size is 20,000 square feet

U.S. Distribution Partners

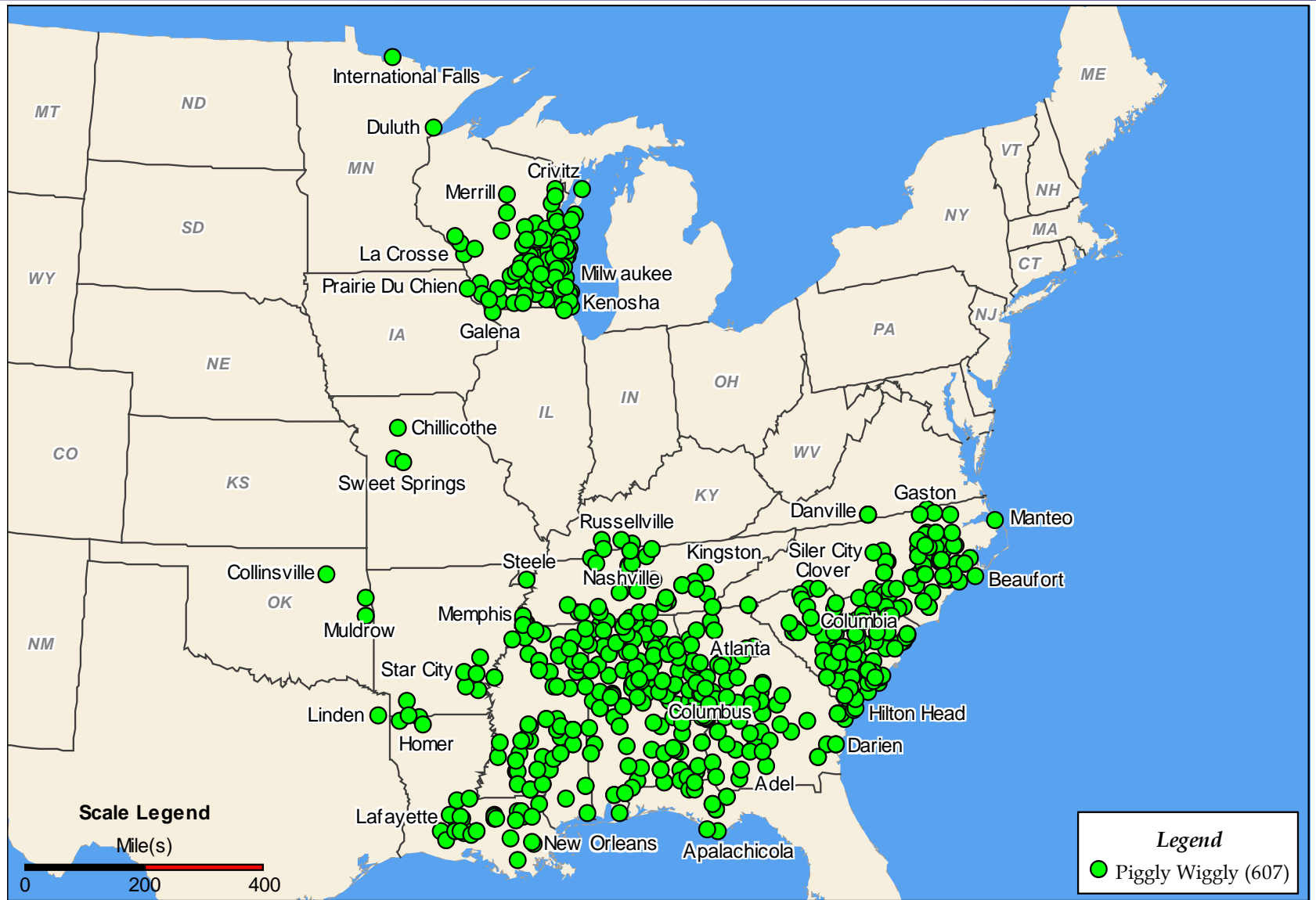
- AG of Florida
- Affiliated Foods Midwest
- AWG
- Bozzuto's
- C&S Wholesale
- Great North Foods
- Ira Higdon
- Laurel Grocery
- Merchant's Distributors
- Nash Finch
- Supervalu
- Unified Grocers
- W. Lee Flowers

PIGGLY WIGGLY

Overview

- Founded in Memphis in 1916 by Clarence Saunders, distinguished itself using a self-service format
- The company issued franchises to hundreds of grocery retailers for the operation of Piggly Wiggly stores
- Today there are more than 600 independently owned and operated Piggly Wiggly stores operating in 17 states
 - The stores are primarily located in the Southeast and Midwest
- The Piggly Wiggly trademark is currently owned and licensed by C&S Wholesale Grocers
 - The license was acquired from Fleming Companies in 2003

PIGGLY WIGGLY - FRANCHISED STORES



SPAR

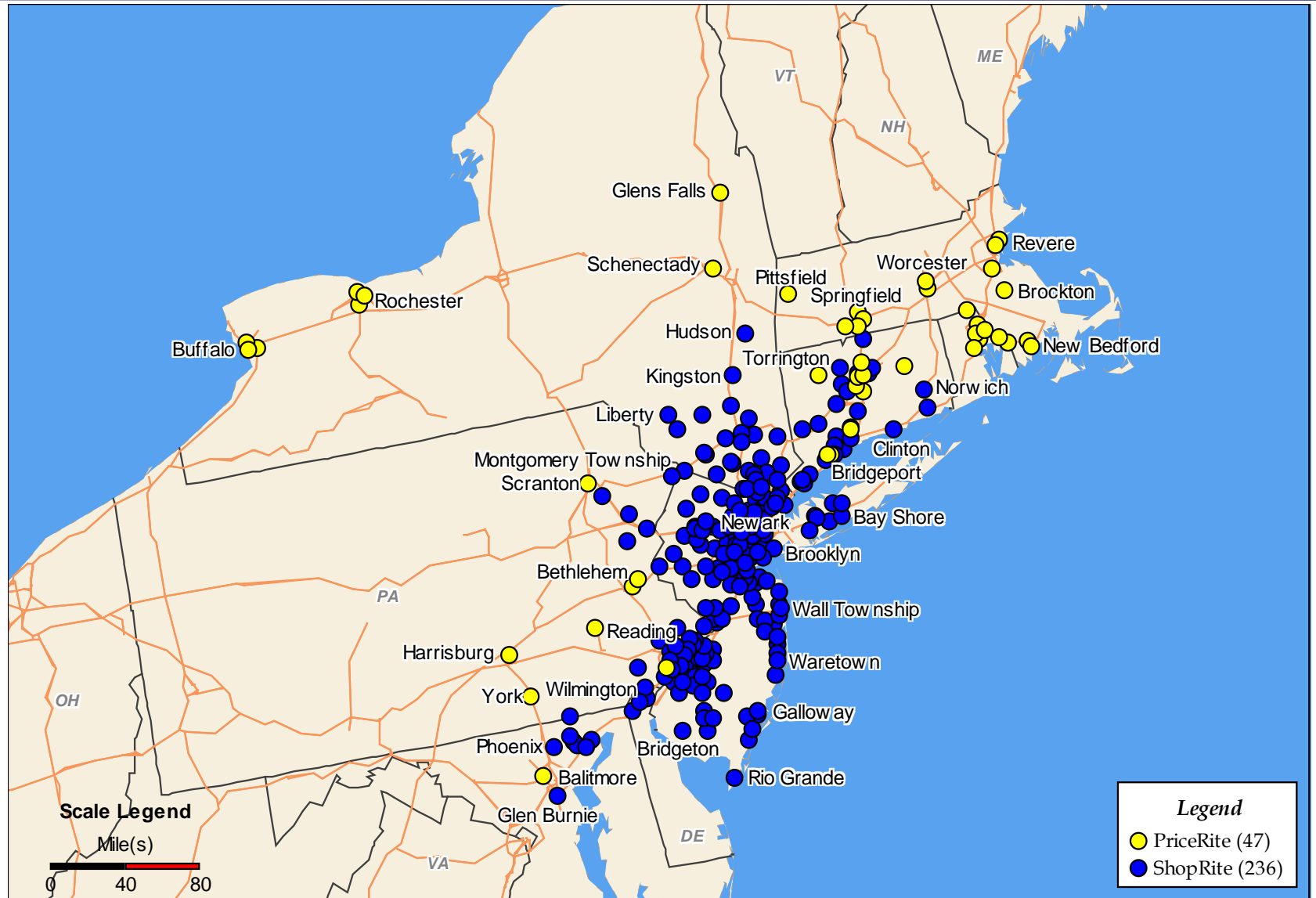
Overview

- SPAR is a voluntary supermarket chain in which wholesalers and retailers work together to supply and operate approximately 12,700 stores in over 33 countries under the SPAR name
- Each country operates as an independent business within the SPAR voluntary chain system
- Sharing between the SPAR countries, coordinated by SPAR International
- SPAR international is responsible for:
 - New country development
 - Retail development
 - Marketing
 - Human resources
 - Buying
 - Logistics
 - Publications

Overview

- Wakefern Food Corporation is the largest retailer-owned cooperative in the U.S.
- In 2009 the company had estimated sales of \$5.0 billion, \$2.4 of which is attributed to its corporately owned supermarkets
- The company provides its customers technology, private label development and procurement practices
- The company distributes to more than 220 ShopRite and 40 PriceRite stores in Connecticut, Delaware, Maryland, Massachusetts, New Jersey, New York and Pennsylvania
 - Corporately owns and operates 28 ShopRite stores
 - Corporately owns all 40 PriceRite stores
- The company also distributes to 3rd party retailers including, Gristedes, Heinen's Morton Williams and The Market Place

WAKEFERN - PRICERITE AND SHOPRITE STORES





THE FUTURE

THE FUTURE

Change in Retail Sales and Store Count Over Time

Total Sales (including Walmart)				
Ranking	2009	1999	Change	% Total
1-50	\$481,398,443,398	\$272,815,196,000	\$208,583,247,398	94.9%
51-100	\$26,588,521,573	\$20,067,440,000	\$6,521,081,573	3.0%
101-150	\$11,515,019,000	\$8,974,508,000	\$2,540,511,000	1.2%
151-200	\$6,623,116,671	\$5,345,500,000	\$1,277,616,671	0.6%
201-250	\$4,781,100,000	\$3,936,617,000	\$844,483,000	0.4%
Total	\$530,906,200,642	\$311,139,261,000	\$219,766,939,642	100.0%

Total Store Count (including Walmart)				
Ranking	2009	1999	Change	% Total
1-50	19,796	18,223	1,573	77.8%
51-100	1,988	1,748	240	11.9%
101-150	1,139	923	216	10.7%
151-200	627	606	21	1.0%
201-250	503	532	(29)	-1.4%
Total	24,053	22,032	2,021	100.0%

THE FUTURE

Change in Retail Sales and Store Count Over Time

Total Sales (excluding Walmart)				
Ranking	2009	1999	Change	% Total
1-50	\$341,710,943,398	\$256,815,196,000	\$84,895,747,398	88.4%
51-100	\$26,588,521,573	\$20,067,440,000	\$6,521,081,573	6.8%
101-150	\$11,515,019,000	\$8,974,508,000	\$2,540,511,000	2.6%
151-200	\$6,623,116,671	\$5,345,500,000	\$1,277,616,671	1.3%
201-250	\$4,781,100,000	\$3,936,617,000	\$844,483,000	0.9%
Total	\$391,218,700,642	\$295,139,261,000	\$96,079,439,642	100.0%

Total Store Count (excluding Walmart)				
Ranking	2009	1999	Change	% Total
1-50	16,862	17,463	(601)	392.8%
51-100	1,988	1,748	240	-156.9%
101-150	1,139	923	216	-141.2%
151-200	627	606	21	-13.7%
201-250	503	532	(29)	19.0%
Total	21,119	21,272	(153)	100.0%

THE FUTURE

Change in Retail Sales and Store Count Over Time

Average Sales Per Store (excluding Walmart)

Ranking	2009	1999	Change	% Total
1-50	\$20,265,149	\$14,706,247	\$5,558,902	119.5%
51-100	\$13,374,508	\$11,480,229	\$1,894,279	40.7%
101-150	\$10,109,762	\$9,723,194	\$386,568	8.3%
151-200	\$10,563,184	\$8,820,957	\$1,742,227	37.5%
201-250	\$9,505,169	\$7,399,656	\$2,105,513	45.3%
Total	\$18,524,490	\$13,874,542	\$4,649,948	100.0%

Average Sales Per Company (excluding Walmart)

Ranking	2009	1999	Change
1-50	6,834,218,868	5,136,303,920	1,697,914,948
51-100	531,770,431	401,348,800	130,421,631
101-150	230,300,380	179,490,160	50,810,220
151-200	132,462,333	106,910,000	25,552,333
201-250	95,622,000	78,732,340	16,889,660

Average Aggregate Number of Stores (excluding Walmart)

Ranking	2009	1999	Change
1-50	337	349	(12)
51-100	40	35	5
101-150	23	18	4
151-200	13	12	0
201-250	10	11	(1)

THE FUTURE

Predictions

- There will be further consolidation of the top 50 (in sales) supermarket companies as both buyers and sellers will be under pressure to eliminate duplicative overhead
 - Retailers in this group had revenue in 2009 ranging from \$140 billion to \$945 million
 - Of the top 50 companies operating in 1999, 10 were sold/closed by 2010
 - Acquisition opportunities for independents will continue as acquiring companies prune stores
- Supermarket companies ranked 51 to 100 will continue to grow primarily through acquisitions in order to leverage both their brand and niche
 - Retailers in this group had revenue in 2009 ranging from \$937 million to \$316 million
 - Of the companies operating in 1999, 7 were sold/closed by 2010
 - The companies ranked in this category are “Super Independents”

THE FUTURE

Predictions

- Supermarket companies ranked 101 to 150 will continue to grow if they establish and maintain continuity of management and ownership
 - Retailers in this group had revenue in 2009 ranging from \$312 million to \$168 million
 - Of the companies operating in 1999, 8 were sold/closed by 2010
 - The family owned companies that do not have succession plans in place will be at high risk for consolidation
- In the next 10 years, the majority of the companies ranked 151 to 250 need to grow or eliminate overhead through accessing a virtual chain
 - Retailers in this group had revenue in 2009 ranging from \$160 million to \$82 million
 - Of the companies operating in 1999, 8 were sold/closed by 2010
 - The number of stores operated by this group in 2009 ranged between 4 and 27
 - Very few of these companies operated as part of a virtual chain – they all support and drive their own banner
 - All of the companies are supplied by a wholesaler
 - In the next 7 to 10 years, these companies will most likely need to double in size to maintain their competitive position



www.thefoodpartners.com

CALIFORNIA WASHINGTON IDAHO TEXAS WASHINGTON, DC

David Schoeder
(202) 589-0436
dschoeder@thefoodpartners.com

Matthew Morris
(202) 589-0434
msmorris@thefoodpartners.com

Ernie Smith
(202) 243-0578
esmith@thefoodpartners.com

Robert Stevens
(202) 788-0570
rstevens@thefoodpartners.com

James Floyd
(817) 416-7006
jfloyd@thefoodpartners.com

Carlos Garcia
(202) 589-0437
cagarcia@thefoodpartners.com

Douglas Herman
(202) 589-0438
dherman@thefoodpartners.com

Jesica Mitchell
(208) 426-9220
jmitchell@thefoodpartners.com

Jodi Kusak
(425) 453-1341
jkusak@thefoodpartners.com

Maureen Bates
(202) 243-0576
mbates@thefoodpartners.com

5335 Wisconsin Avenue, NW, Suite 410, Washington, DC 20015

CONTACT INFORMATION

For copies of this presentation,
please visit our website at
www.thefoodpartners.com