



Q1 2009

Food Retail Industry Insights

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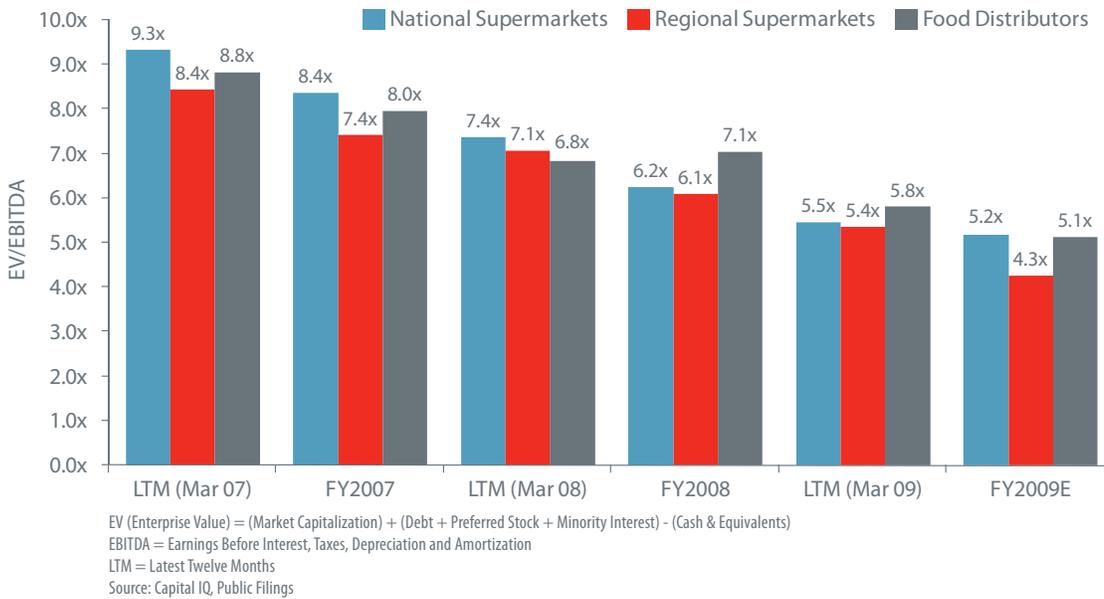
The current retail environment presents a multitude of challenges and opportunities for food retailers. Rising unemployment, declining nominal net worth and record low consumer confidence have put tremendous pressure on consumer spending patterns. Grocers are counteracting these trends by increasing private label and natural/organic offerings. Private label sales industry-wide are approaching 25% penetration as consumer confidence in the quality of store brands increases. Private label volume growth reached 7% in February 2009 year-over-year. Despite the current economic climate, natural/organic product sales grew 15.8% in 2008 as part of a secular shift towards healthier eating, according to the Organic Trade Association.

Consumers have become increasingly cost conscious—the “trade-down” effect thesis is playing out as shoppers move to less expensive alternatives and spend an increased percentage of food dollars at home. Food-at-home expenditures rose to a nearly 10-year high of 54.9% of total food expenditures at the end of 2008. As a result of this increased cost consciousness mixed with a shift towards healthier, organic offerings, chains offering a mid-tier price point with an undifferentiated product offering have been hardest hit. Despite food inflation at supermarkets reaching a 17-year high in mid-2008 and remaining relatively high today, there are more fast and inexpensive options available to consumers, such as ready-to-eat and frozen meals.

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Public market valuations in the food retail industry have fallen precipitously over the past 24 months



A difficult 2009 is expected to alter the competitive landscape of the food retail industry. Key trends facing the industry in 2009 include:

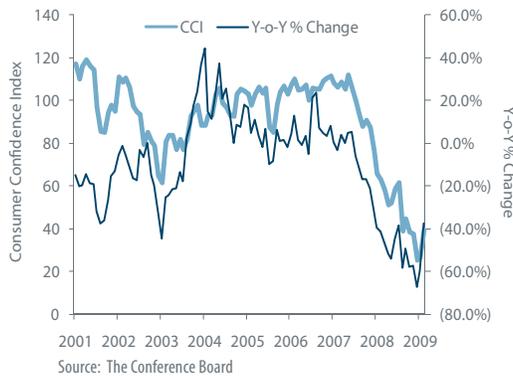
- The industry faces higher unemployment and diminished retail pricing power. Same-store sales growth has historically been correlated to unemployment.
- The consumer price index (CPI)/producer price index (PPI) spread has turned favorable, and it is expected that industry players will maintain pricing levels to preserve same store sales numbers and gain margin through the first half of 2009. Persistent PPI deflation will eventually necessitate price cuts in the second half of 2009, depressing margins and same-store sales growth.
- Union wage demands may soften given the current sales environment. Despite long-standing detrimental union and pension obligations, industry players are expected to experience moderate current wage demands during union contract renegotiations in light of current difficult economic conditions.
- Accessing the capital markets will likely remain difficult, substantially impacting existing capital expenditure plans. Several national supermarkets have significantly scaled back expansion and remodeling plans.
- The difficult operating environment of the past two years, generally high leverage ratios and dramatically lower real sales growth have significantly stressed numerous food retailers, as evidenced by the recent Chapter 11 filings of Bi-Lo and Bruno's.

Key Macroeconomic Factors Impacting Performance

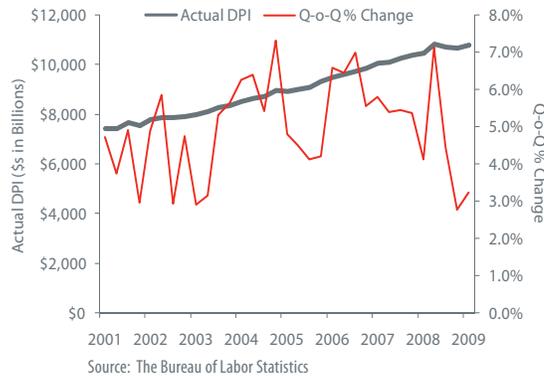
Consumer Confidence is rattled in light of the current economic and financial crisis.

Retailers are experiencing increased average transaction sizes and lower traffic levels as consumers limit discretionary grocery trips. Consumer confidence dipped to an all-time low of 25.3 in February 2009, though it has rebounded since then to 40.8% in April. DPI increased on a period-over-period basis in YTD 2009 (3.2% increase) and generated a modest 1.2% sequential gain to end two months of sequential declines.

Consumer Confidence



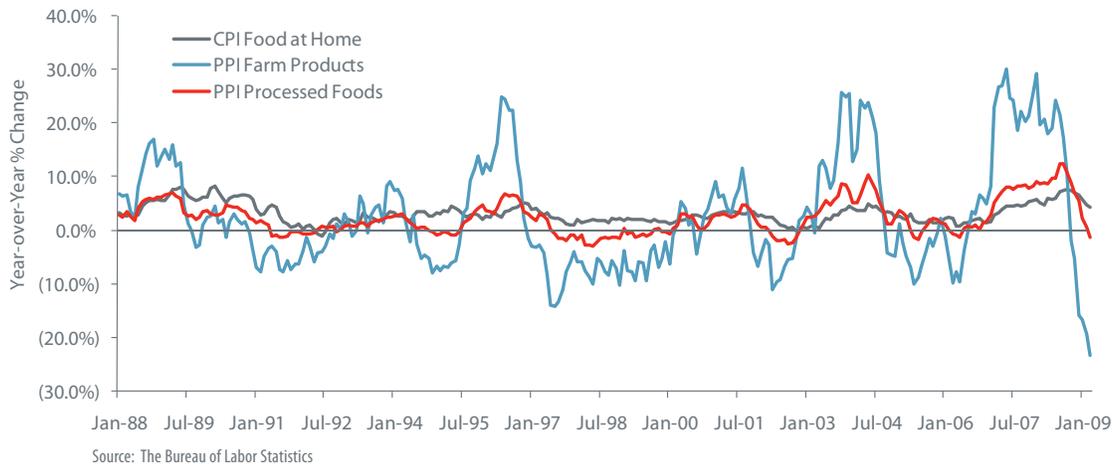
Disposable Personal Income



The CPI/PPI spread is likely to become more favorable.

As commodity costs have moderated, food retailers will continue to benefit from wholesale food prices declining while consumer price declines lag. Both the farm product and food manufacturer PPI readings demonstrate greater volatility than the food-at-home CPI. PPI readings have dipped below the CPI reading, representing an opportunity for food retail chains to enhance gross margins.

CPI/PPI Spread



Key In-Store Drivers and Trends

Natural and Organic Foods: The current recession has made U.S. consumers considerably more cost sensitive but organic foods are holding up surprisingly well so far in 2009. According to the Organic Trade Association (OTA), U.S. organic food sales have grown between 17% and 21% per year over the past decade. In 2008, sales growth “slowed” to approximately 15.8% and results through the first three months of 2009 are strong. Sales growth across all product categories remains strong and placement continues to increase.

Private Label: According to an American Grocery Shopper Study, approximately two-thirds of primary household shoppers believe private label products offer a compelling value. Private label products offer higher margins for retailers and foster additional brand loyalty with consumers. Retailers are even introducing private label organic products to capture additional market share. National brands will continue to play a major role in shaping trends within specific categories, but private label will likely continue to grow on an opportunistic basis, based on where consumers believe it can serve as a substitute.

“Recession-Proof” Categories: Certain grocery categories are thriving, spurred on as consumers spend more food dollars on groceries and less on eating out. Mintel, a research consultancy, reports that categories such as frozen meals, prepared side-dish items and coffee are among the categories that are experiencing strong growth in the face of the current recession. Frozen meals (expected to be up 4.5% this year), side dishes (expected to be up 5%) and coffee (expected to be up 6%) all significantly benefit from the trend towards increased food consumption at home.

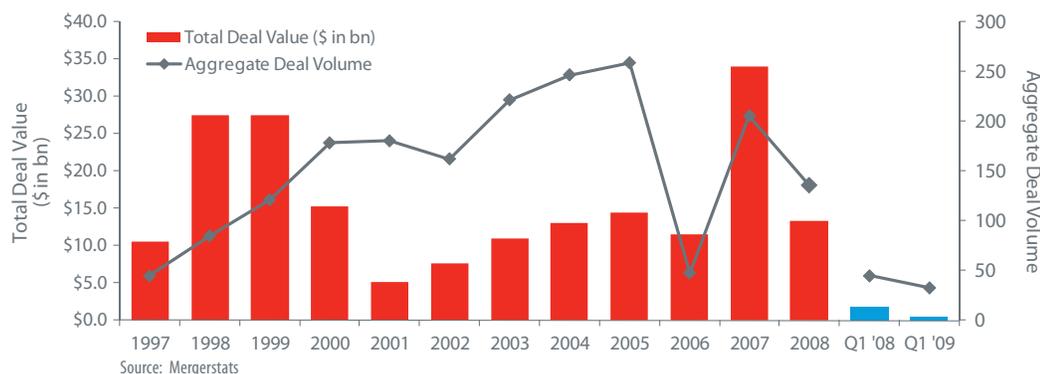
Merger and Acquisition Trends

Food Retail Industry M&A Trends

Food retail industry M&A activity has decreased dramatically over the past 18 months. Several high-profile sale processes resulted in failed auctions in 2008, including Grocery Outlet, The Fresh Market, BI-LO and Marsh Supermarkets.

Industry observers expect activity to increase in 2009. *Supermarket News* has cited numerous chains, including Roche Brothers, Penn Traffic, Tops Supermarkets, Golub Corp (d.b.a. "Price Chopper"), Roundy's and Safeway Canada, as companies reviewing strategic alternatives this year.

Food Retail M&A Trends



Precedent Industry M&A Activity

| Date Announced | Acquiror Target | Implied Enterprise Value* | Enterprise Value as a Multiple of LTM | | LTM EBITDA Margin |
|----------------|---|---------------------------|---------------------------------------|--------|-------------------|
| | | | Revenue | EBITDA | |
| 15-Apr-09 | Kings Supermarkets, Inc. Balducci's, LLC | NA | NA | NA | NA |
| 13-Oct-08 | VG's Food & Pharmacy Family Fare LLC | \$85.0 | NA | NA | NA |
| 06-Jun-08 | Publix Super Markets Inc. (OTCBB:PUSH) Albertson's LLC, 49 Florida Stores | \$500.0 | NA | NA | NA |
| 11-Oct-07 | Morgan Stanley Private Equity Tops Markets, LLC | \$310.0 | NA | 6.2x | NA |
| 20-Sep-07 | Susser Holdings Corporation (NasdaqGM:SUSS) Town & Country Food Stores | \$342.6 | 0.41x | 6.9x | 5.9% |
| 26-Apr-07 | Empire Co. Ltd. (TSX:EMP.A) Sobeys Inc. | \$3,849.0 | 0.33x | 8.0x | 4.1% |
| 02-Mar-07 | TowerBrook Capital Partners LP Beverages & More Inc. | \$205.0 | 0.59x | 9.7x | 6.1% |
| 28-Feb-07 | Great Atlantic & Pacific Tea Co. (NYSE: GAP) Pathmark Stores | \$1,278.6 | 0.32x | 11.4x | 2.8% |
| 21-Feb-07 | Whole Foods Market, Inc. Wild Oats Markets, Inc. | \$671.0 | 0.57x | 13.4x | 4.3% |
| 20-Feb-07 | Apollo Management Smart & Final, Inc. | \$775.2 | 0.37x | 9.4x | 3.9% |
| 22-Jan-07 | Sterling Investment Partners Fairway Market | \$150.0 | 0.50x | 7.5x | 6.7% |

*\$ in millions

Enterprise Value = (Market Capitalization) + (Debt + Preferred Stock + Minority Interest) - (Cash & Equivalents)

LTM = Latest Twelve Months

EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization

Source: Capital IQ, Public Filings

Public Market Overview and Analysis

Public market valuations are driven by:

- Retail metrics (average basket, customer traffic, sales per square foot and EBITDA contribution)
- Same unit revenue growth (e.g., comparable unit sales)
- New unit economics (average investment per unit, average months to breakeven and ROI per unit)
- Location, success of key competitors, and market share
- Opportunities for growth through acquisition

Other important business model considerations include:

- Lease terms and real estate holdings
- Specific market characteristics and customer population dynamics
- Supply chain efficiency and diversity of product mix

| Company | 01-May-09 Stock Price | % of 52 Wk High | Market Value* | Enterprise Value* | Enterprise Value as a Multiple of | | | | LTM EBITDA Margin | Sales Per | | | | |
|--------------------------------------|-----------------------------|-----------------------|------------------|----------------------|-----------------------------------|-------|--------|-------|-------------------------|---------------|-----------------|------------------|--------|----|
| | | | | | Revenue | | EBITDA | | | Store 2008 | Sq. Ft. 2008 | Same-Store Sales | | |
| | | | | | LTM | 2009E | LTM | 2009E | | | | LFY | LQ | |
| National Supermarkets | | | | | | | | | | | | | | |
| Ahold | \$11.80 | 86.8% | \$13,885.1 | \$15,792.6 | 0.44x | 0.41x | 6.1x | 5.5x | 7.3% | \$12.41 | NA | NA | NA | NA |
| Delhaize Group | 71.90 | 96.0% | 7,168.4 | 10,407.6 | 0.40x | 0.37x | 5.4x | 5.0x | 7.4% | 9.94 | NA | 2.5% | NA | NA |
| J. Sainsbury plc | 5.40 | 91.5% | 9,471.1 | 13,038.3 | 0.48x | 0.43x | 7.7x | 7.5x | 6.2% | 42.96 | NA | NA | (2.0%) | NA |
| Kroger Co. | 21.60 | 69.7% | 14,091.8 | 21,986.8 | 0.29x | 0.28x | 5.6x | 5.3x | 5.2% | 20.90 | 517 | 5.3% | NA | NA |
| Safeway Inc. | 19.50 | 59.6% | 8,305.1 | 13,692.5 | 0.32x | 0.33x | 4.6x | 4.9x | 6.8% | 25.36 | 551 | 0.9% | (0.7%) | NA |
| SUPERVALU Inc. | 16.00 | 44.8% | 3,680.0 | 11,924.0 | 0.27x | 0.28x | 4.6x | 4.8x | 5.8% | 17.80 | 625 | 0.1% | (0.5%) | NA |
| Tesco plc | 5.50 | 79.7% | 43,448.9 | 54,176.5 | 0.70x | 0.60x | 9.2x | 7.4x | 7.7% | 17.94 | NA | 3.0% | 1.9% | NA |
| Wal-Mart Stores Inc. | 49.40 | 77.3% | 193,297.3 | 231,128.3 | 0.57x | 0.56x | 7.7x | 7.6x | 7.4% | 49.98 | NA | NA | NA | NA |
| Whole Foods Market, Inc. | 20.00 | 58.3% | 2,808.0 | 3,607.3 | 0.45x | 0.45x | 6.7x | 6.6x | 6.8% | 28.92 | 804 | 4.9% | (4.1%) | NA |
| Wm. Morrison Supermarkets plc | 3.80 | 82.6% | 9,993.2 | 11,036.7 | 0.53x | 0.47x | 7.8x | 7.1x | 6.7% | 54.89 | NA | 7.9% | 0.2% | NA |
| High | | 96.0% | 193,297.3 | 231,128.3 | 0.70x | 0.60x | 9.2x | 7.6x | 7.7% | \$54.89 | \$804 | 7.9% | 1.9% | NA |
| Median | | 78.5% | 9,732.2 | 13,365.4 | 0.45x | 0.42x | 6.4x | 6.1x | 6.8% | \$23.13 | \$588 | 3.0% | (0.6%) | NA |
| Mean | | 74.6% | 30,614.9 | 38,679.1 | 0.44x | 0.42x | 6.6x | 6.2x | 6.7% | \$28.11 | \$624 | 3.5% | (0.9%) | NA |
| Low | | 44.8% | 2,808.0 | 3,607.3 | 0.27x | 0.28x | 4.6x | 4.8x | 5.2% | \$9.94 | \$517 | 0.1% | (4.1%) | NA |
| Regional Supermarkets | | | | | | | | | | | | | | |
| Arden Group Inc. | \$119.90 | 60.0% | \$383.7 | \$356.3 | 0.76x | NA | 7.8x | NA | 9.8% | \$26.50 | \$914 | (1.4%) | (8.4%) | NA |
| Great Atlantic & Pacific Tea Company | 4.00 | 15.2% | 231.2 | 1,247.0 | 0.13x | 0.13x | 4.7x | 3.7x | 2.8% | 14.32 | 506 | NA | NA | NA |
| Ingles Markets Inc. | 15.10 | 56.6% | 370.0 | 1,118.9 | 0.34x | NA | 5.9x | NA | 5.8% | 16.44 | 318 | 8.0% | 4.9% | NA |
| Ruddick Corp. | 25.70 | 65.9% | 1,246.5 | 1,624.9 | 0.40x | 0.39x | 5.6x | 5.7x | 7.1% | 22.68 | 486 | 2.9% | 0.1% | NA |
| Village Super Market Inc. | 27.70 | 83.7% | 368.4 | 347.3 | 0.30x | NA | 5.8x | NA | 5.1% | 45.11 | 809 | 2.5% | 5.9% | NA |
| Weis Markets, Inc. | 35.70 | 88.6% | 960.3 | 843.3 | 0.35x | 0.34x | 6.1x | 5.7x | 5.6% | 13.17 | 327 | 4.3% | 6.2% | NA |
| Winn-Dixie Stores Inc. | 14.30 | 73.7% | 779.4 | 636.9 | 0.09x | 0.09x | 4.8x | 4.3x | 1.8% | 13.98 | 300 | 0.9% | 0.2% | NA |
| High | | 88.6% | | | 0.76x | 0.39x | 7.8x | 5.7x | 9.8% | \$45.11 | \$914 | 8.0% | 6.2% | NA |
| Median | | 65.9% | | | 0.34x | 0.24x | 5.8x | 5.0x | 5.6% | \$16.44 | \$486 | 2.7% | 2.6% | NA |
| Mean | | 63.4% | | | 0.34x | 0.24x | 5.8x | 4.8x | 5.4% | \$21.74 | \$523 | 2.9% | 1.5% | NA |
| Low | | 15.2% | | | 0.09x | 0.09x | 4.7x | 3.7x | 1.8% | \$13.17 | \$300 | (1.4%) | (8.4%) | NA |
| Food Distributors | | | | | | | | | | | | | | |
| AMCON Distributing Co. | \$34.10 | 83.2% | \$20.5 | \$60.8 | 0.09x | NA | 4.2x | NA | 2.1% | NA | NA | NA | NA | NA |
| Core-Mark Holding Company, Inc. | 23.50 | 76.5% | 253.8 | 244.1 | 0.05x | 0.04x | 3.0x | 4.1x | 2.4% | NA | NA | NA | NA | NA |
| Nash Finch Co. | 31.10 | 65.3% | 398.1 | 691.9 | 0.14x | 0.13x | 5.9x | 5.1x | 3.9% | NA | NA | NA | NA | NA |
| Spartan Stores Inc. | 13.10 | 46.5% | 290.8 | 525.6 | 0.20x | 0.19x | 5.2x | 4.7x | 6.1% | \$25.77 | NA | 2.7% | 1.2% | NA |
| Sysco Corp. | 23.40 | 66.9% | 13,803.7 | 14,884.0 | 0.40x | 0.40x | 6.6x | 6.7x | 3.6% | NA | NA | NA | NA | NA |
| High | | 83.2% | | | 0.40x | 0.40x | 6.6x | 6.7x | 6.1% | NA | NA | NA | NA | NA |
| Median | | 66.9% | | | 0.14x | 0.16x | 5.2x | 4.9x | 3.6% | NA | NA | NA | NA | NA |
| Mean | | 67.7% | | | 0.18x | 0.19x | 5.0x | 5.1x | 3.6% | NA | NA | NA | NA | NA |
| Low | | 46.5% | | | 0.05x | 0.04x | 3.0x | 4.1x | 2.1% | NA | NA | NA | NA | NA |

*\$ in millions

Enterprise Value = (Market Capitalization) + (Debt + Preferred Stock + Minority Interest) - (Cash & Equivalents)

LTM = Latest Twelve Months

EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization

LFY = Last Fiscal Year

LQ = Last Quarter

Source: Capital IQ, Public Filings

Industry Experience

Balducci's, LLC is a gourmet specialty food retailer with stores throughout the Northeast. With a heritage that dates back to 1916, Balducci's developed a unique retail concept modeled after European markets and operates retail locations in high traffic areas within desirable urban and suburban neighborhoods. Its stores offer an enjoyable shopping experience while delivering an unparalleled selection of prepared foods and premium specialty items.

The Buyer

Jim Demme has a breadth of experience in food retail at the CEO and Chairman level, and serves as a Senior Advisor to New York-based investment firm Angelo, Gordon & Co.

Our Role

Duff & Phelps was engaged by Balducci's, LLC to act as exclusive financial advisor. After assisting the Company with its divestiture of a non-core subsidiary, High Noon Always (which was sold to Organic to Go Food Corp), Duff & Phelps initiated a sale transaction which resulted in the ultimate sale of the business to the investor group.



has been acquired by an investor group led by Jim Demme, Senior Advisor to Angelo, Gordon & Co.

Financial advisor to Balducci's, LLC

> SELL SIDE ADVISOR



has sold selected assets to

Walgreens and Duane Reade

Exclusive financial advisor to Gristedes in connection with the sale of selected assets to both Walgreens and Duane Reade

> SELL SIDE ADVISOR



has acquired

Shaw's

Financial advisor to Albertson's in connection with the acquisition of Shaw's

> SELL SIDE ADVISOR



Golub Corporation

Board Advisory Services

Provided board advisory services in connection with a review of strategic alternatives

> BOARD ADVISOR



has divested certain non-core assets

Financial advisor in connection with Albertson's divestiture of certain non-core assets

> SELL SIDE ADVISOR



has been acquired by

Investor Group

Exclusive financial advisor to Pitco Foods in connection with the sale of the business to Investor Group

> SELL SIDE ADVISOR



has been acquired by

Performance Food Group

Exclusive financial advisor to Thoms-Proestler Company in connection with the sale of the business to Performance Food Group

> SELL SIDE ADVISOR



has completed a management buyout of selected subsidiaries

Financial advisor to the board of directors in connection with management's buy-out of selected subsidiaries

> BOARD ADVISOR



has acquired

Head Distributing

Exclusive financial advisor to Fleming Companies, Inc. in connection with the acquisition of Head Distributing

> SELL SIDE ADVISOR

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About Duff & Phelps

As a leading global independent provider of financial advisory and investment banking services, Duff & Phelps delivers trusted advice to our clients principally in the areas of valuation, transactions, financial restructuring, dispute and taxation. Our world class capabilities and resources, combined with an agile and responsive delivery, distinguish our clients' experience in working with us. With more than 1,200 employees serving clients worldwide through offices in North America, Europe and Asia, Duff & Phelps is committed to fulfilling its mission to protect, recover and maximize value for our clients. Investment banking services are provided by Duff & Phelps Securities, LLC. Duff & Phelps Securities Ltd. is authorized and regulated by the Financial Services Authority. (NYSE: DUF)