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P R E S E N T A T I O N

John Standley:

Good morning everyone. Welcome to the Albertsons Companies Inc. Analyst Day. A couple of housekeeping items before we get started. First, the WiFi access codes are on the table there in front of you on some cards. We are being webcast, just so you know. We will take all Q&A at the end of today s presentation in the last session.

With that, we ll put up the forward-looking statement here, just as our last housekeeping item. This is also available in your handouts today and is available on the webcast for review. We suggest you take a careful look at it.

With that, I think we re ready to fire off our opening video.

(Video Presentation)

John Standley:

Again, good morning and thank you for joining us today. We are very excited to be here this morning to talk about our new company Albertsons Companies, Inc. I m John Stanley, Chairman and CEO of Rite Aid and the future CEO of Albertson s Companies, Inc. With me this morning are key members of the Management Team who will now introduce themselves. Kermit?

Kermit Crawford:

Good morning. Kermit Crawford. I m the President and Chief Operating Officer of Rite Aid. I ve been with Rite Aid for a little over seven months now. Clearly not new to the industry. I m a pharmacist by training. Spent 32 years at Walgreens so I know quite a few of you guys. It s good to have you here this morning. Good morning and thanks for being here.

Jim Donald:

Jim Donald, COO. Had previous experience with Albertsons for 16 years, and about 30 to 35 years in hospitality and foodservice.

Shane Sampson:

Good morning. Shane Sampson, the Chief Marketing Merchandising Officer for Albertsons Companies, fourth generation grocer with a little over 35 years of experience. I ve spent most of my career with Albertsons; Albertsons, LLC, Albertsons, Inc. and Albertsons Companies now. I spent a short period of time with Sam s Club and Ahold. Welcome, and glad to be here with you this morning.

Susan Morris:

Good morning everybody. I m Susan Morris, I m the EVP and Chief Operations Officer for Albertsons Companies. I ve been with the company really since I was 16 years old. I started in the stores, worked my way through college, and to be honest, I never intended to stay but I couldn t be more happy to be here with you all today. I ve been with the company for 33 years.

Bryan Everett:

Good morning everyone. My name is Bryan Everett. I m the Chief Operating Officer for Rite Aid Stores and I oversee Merchandising, Store Operations and Supply Chain. I ve been with Rite Aid for three years, and in the drug store segment for three years. Before that, I spent 13 years in big box mass and before that I actually got my start in grocery. I spent seven years in grocery right out of school. So, good to be here with you. Thank you for being here.

Jocelyn Konrad:

Good morning. I m Jocelyn Konrad. I am a licensed pharmacist, started my career at Thrift Drug 26 years ago. I ve been in the industry for that entire time, and through multiple mergers and acquisitions, I m proud to be part of the Rite Aid organization.

John Standley:

Fantastic. Darren and Bob Dimond, do you guys want to introduce yourselves?

(inaudible)

Also, let me introduce Bob Miller, Chairman and CEO of Albertsons. Bob, would you like to say a few words?

Bob Miller:

(inaudible)

John Standley:

One last but not least introduction, Kevin Turner is the Vice Chairman of Albertsons and heads the Albertsons Board s Technology Committee. Kevin, would you like to say a few words?

Kevin Turner:

Good morning. (Inaudible).

John Standley:

Again, I am John Standley. I have about 16 years at Rite Aid in various roles, some experience in the food industry as well at Pathmark, Fred Meyer, Smith s, Ralphs, Smitty s, some others. I ve been around for a few years in the industry as well.

I think as you ve just heard, this is a very talented and experienced management team. We re excited to all come together here. Through different experiences, many of us have worked together in the past and because of that there are a lot of similarities in culture between the two companies, but one thing we all share in common is a singular focus on the customer experience, so we re all excited to be here today to tell you about our new company.

With that, moving to Slide 5 for those of you at home, to just talk about the agenda for a second. We have a very robust agenda, including why we believe our new company will be the differentiated leader in food, health and wellness. We ll also provide an overview of both companies, Albertsons and Rite Aid; they combine to make our new company. We ll discuss details about our synergies and our plan to achieve these synergies over the next three years. I ll also provide insight into our omnichannel approach. We ll walk through a detailed financial overview and conclude by illustrating how we bring it all together for our customers and patients.

With that, I m moving to Slide 7. Albertsons Companies, Inc. will be the differentiated leader in food, health and wellness, and I m on Slide 7. We ll have almost 4,900 stores, operate over 4,300 pharmacies. We ll have some of the most well known and recognizable local banners including Safeway, Albertsons, Jewel Osco and Rite Aid as just some examples. We will have some of the strongest Own Brands in the nation like O Organics, Open Nature, Rite Aid Pharmacy and Thrifty Ice Cream, just to name a few. We will be able to leverage our integrated PBM platform to drive additional customers into our highly accessible network of pharmacies. Over 40 million customers per week will visit us, and we will have the number one or number two market share in 66% of the MSAs that we operate in. We will generate $83 billion in annual revenues and $3.4 billion in pro forma Adjusted EBITDA based on both companies guidance for this year and first year synergies of about $80 million.

Moving to Slide 8, the combination will create one of the largest food and drug retailers with highly recognizable local brands and strong market positions, creating a local scale and some of the most attractive markets in the U.S. We will have a unique opportunity to use our expanded pharmacy network to build narrow networks and drive significantly loyalty among pharmacy and grocery customers. We will use our growing omnichannel capabilities to meet our customers needs where, when and how they want to shop. And we will leverage our strong loyalty program and business data to further strengthen our relationship with our customers, while the use of technology will enhance our competitive strengths. The new company will have a compelling financial profile with significant revenue opportunities, cost synergies and substantial free cash flow to invest in our business and de-lever over time.

Moving to Slide 9, you can see that it has been a very busy time from an M&A perspective in the health and retail sectors. Many of the in-process and recent transactions and partnerships highlight the opportunities that we have as a new company. CVS Aetna is in part about monetizing the benefits retail pharmacy creates by reducing healthcare costs which we can do by building performance networks and partnering with companies that are taking healthcare risk. United and MedExpress is about low-cost quality care in convenient locations, which we can use our pharmacies and RediClinics to provide. Horizontal acquisitions by Walgreens and CVS were done to build density and scale, attract narrow network opportunities and reduce operating costs which our combination will also achieve. Walmart/Humana is just one example of how a preferred network can drive additional customers to stores and we will have a very attractive network in key markets to attract those preferred networks. The vertical integration of Cigna and Express illustrates how a PBM can be used to improve clinical outcomes and reduce healthcare costs which we can do with our integrated PBM platform EnvisionRxOptions.

On Slide 10, you can see that we will jump up the slide to become one of the top food and drug retailers in the U.S. with substantial scale and improved competitive position as our annual revenues of $83 billion will be much more in line with our peers U.S. retail businesses.

On Slide 11, the map illustrates one of the important reasons this combination is so compelling. We have number one grocery market share all up and down the West Coast, Washington, Oregon and California, and number one market share in pharmacy counter count in Oregon and Washington, and number two in California. We will also have strong grocery share in key markets in the Southwest, Texas and a strong

number one share Chicago with Jewel. In the Northeast, we will have strong grocery share in the MidAtlantic region, the Greater Philadelphia Area and Boston, and a strong pharmacy network in all of those areas including the number one counter count share at Pittsburgh and Philadelphia, so we ll be a powerhouse operator of both food and drug in the markets that we compete in.

Slide 12 overlays our highly recognizable banners that have become an important part of the communities they serve. Our localized operating approach empowers each of these banners to meet the needs and preferences of the customers in the markets in which they operate, and we have some just fantastic brands here across the map.

Slide 13 shows how impactful this combination is to our pharmacy network. In California, as an example, we will increase our position from 569 pharmacies and 10.4% counter share of Rite Aid, to 945 pharmacies and a 17.3% percent share as a combined company, making us a very strong number two here in California. In Washington and Oregon, we will increase our counter share from about 13% to 30% in both states, making us highly accessible and convenient in those markets.

On Slide 14, we take it one level deeper. Here s an example of how this comes together, looking at Southern California. You can see that the combination of the 312 Rite Aids and the 194 Vons Albertsons pharmacies will give us a total of 506 pharmacies, giving us a convenient network of pharmacies that makes us accessible to even more customers who can now pick up their scripts when they re grocery shopping or at the corner drug store, whichever is more convenient for the customers, without the worry of transferring scripts around. This will be a truly powerful network here in this marketplace.

Slide 15 illustrates that we will be a unique combination of grocery and pharmacy that will be well positioned to deliver a differentiated experience. We will be the only grocer with standalone pharmacies. We will be the only drug store with the fresh food and consumables expertise of one of the nation s largest grocery companies. We will be able to utilize our integrated PBM, EnvisionRx, to drive lives into our stores and pharmacies, and we will have unique omnichannel capabilities with the combination of home delivery and Drive Up & Go for groceries, pharmacy delivery in our drug stores and meal kits available in-store and through subscription home delivery, a truly unique offering.

Slide 16 shows why we will be focused on building relationships with our most valuable customers, pharmacy customers. On the right side of the slide, you can see that a Albertsons Rx customer spends $92 per week versus a non-pharmacy customer who spends $24 a week or 3.5 times more. If we take the pharmacy spend out of the equation, the pharmacy customer spends $66 a week in grocery compared to the $24 or 2.5 times more, so we can see how valuable this pharmacy customer is to the grocery network, and with 4,300 convenient pharmacies densely populated in the markets that we re going to compete in, we re going to have a fantastic opportunity here to use this network to bring lives into our stores.

Turning to Slide 17, we have a comprehensive portfolio of best-in-class Own Brands coupled with an unmatched manufacturing and distribution network. Our $12 billion Own Brand portfolio includes four billion-dollar brands, O Organic, Lucerne, Signature Select and Signature Café. We manufacture $1.3 billion of products in our facilities of which $930 million is our Own Brands. Our vertically integrated manufacturing and distribution networks provide us an efficient solution that provides great service to our stores and enables us to drive Own Brand sales across our entire network of stores.

Turning to Slide 18, we will use Albertsons Own Brands in food and consumables to transform Rite Aid s front end and create a truly differentiated organic and natural merchandising solution versus our drugstore competitors, and we will use Rite Aid s Own Brands expertise in GM and HBC to create the drugstore inside the supermarket experience at Albertsons. This is incredibly important because, like a

5

pharmacy customer, the Own Brand customer is a loyal and profitable customer. The trip frequency is 13 times per quarter versus 10 times for a non-Own Brands heavy user, and their quarterly spend is $90 higher. Our customers choose our Own Brand two times more often than the national brand equivalent. Our focus on quality, our drive to innovate and growing customer interest will help us grow Own Brand sales and we will push to reach our goal of 30% in the next few years.

The graphic on Slide 19 illustrates that every aspect of the combined business will complement every other aspect of the business, always with the customer at the center. Our company will have a world-class omnichannel platform with a unique combination of formats, brands, offerings and channels which will allow us to meet our customers where, when and how they want to shop with us. Customers will have a wide array of ways to access their food and pharmacy needs. Our capabilities allow our customers to order online or using an app, and receive delivery either at the store or their home. Of course, we will continue to offer different shopping formats including combined supermarket and pharmacies, and standalone pharmacies.

Our ecommerce capabilities are recapped on Slide 20. Continuing to invest and grow our ecommerce capabilities is critical to our overall strategy. We have taken a multipronged approach to our online offerings. We have 1,000 owned grocery delivery trucks providing a white glove delivery experience from our supermarkets that has built a loyal customer base and is growing double digits year-over-year. We offer rush delivery from over 1,700 supermarkets via Instacart, and are ramping up to 2,000 stores by the middle of 2018, and we expect revenues to be at $400 million run rate by the end of fiscal year 2018.

We are growing our Drive Up & Go offering to 500 stores by the end of fiscal year 18. Plated, our meal kit solution, is available through subscription and will be added to 650 stores by the end of the year, and will double its subscriber base and revenues in fiscal year 18. And, we have home delivery of prescriptions in about 50% and drive-thru pharmacy in 1,350 of our freestanding drugstores.

The combined company will have the benefits of both companies proprietary technology and data capabilities, some of which are recapped here on Slide 21. In terms of revenue growth, our digital platform, ecommerce, improvements to our loyalty program, pricing and promotion and data science are some important areas of continuing investment.

On the efficiency side, we will be investing in DC automation and in-store technology. Kevin, would you like to make some comments here?

Kevin Turner:

Sure. Thanks, John. Just a couple of things here I d sort of pull out. You re going to hear from the team some pretty exciting stuff that we ve been working on over the last several months, and when you think about digital it s really about moving this company to the cloud and mobility. Those are the two areas that we can differentiate from all the traditional grocery store competitors, specifically, and accelerate the amount of development and innovation that we re able to bring to the marketplace. We ve got a big initiative going on as it relates to cloud and mobility.

If you think about ecommerce, John touched on some of those, but it s really about giving customers a variety of choices. So, we re going to have delivery. We ve got Instacart rolling out and we ll be completed here in the next couple of months. We ve got other options coming behind it to be able to allow customers to have the merchandise when and where and how they want it to be able to be received.

6

The ability on loyalty, I mean that s the idea of us having a longstanding loyalty program within the Safeway companies that we ve been able to broaden and bolt-on and really accelerate, so we re touching now 26 million different customers on a regular basis with personalized offerings, and that s only the beginning that we re able to do.

When you think about some of the Shopper 360 stuff, it s really about us taking planograms and space management and making the side counter light up so that we can truly have dynamic modulars and the ability for those side counters to really resonate with customers in the way that which they expect to be shopped. We ve hired somebody recently on the senior management team to run our data science and analytics team because we believe that there s hundreds of millions of dollars of payback as we peel back the layers around data science, specifically around supply chain, pricing and promotions, staffing and labor management. There s so many opportunities in there, we got really eight great business cases that you re going to hear about a little bit later on that we re able to light up.

DC automation is really about going robotics. We re rolling out robotics. We ve got the first distribution center is fully online. We re going to take that technology, completely automated and all the robotics technology, bringing it out across the DC network to be able to give us state of the art distribution centers, so we feel very good about that.

Then the last one I ll touch on is sort of the in-store technology stuff. We ve got WiFi that will be completed in all of our stores in September and the ability to really have that connectivity and interactivity with the customer when they re in our stores or whether they re in our parking lots. The ability to light up that experience is something that we re very keen on and we re also working hard behind the scenes on, as well as speeding up checkout and a whole lot of other things that light up in the store.

There s a lot in here you re going to hear from the team, but it is an area, keeping with the theme of this session, is around differentiation. That is an area where we re going to continue to drive a gap between us and our competition as it relates to innovation and the ability to really have that seamless experience for our customers.

John Standley:

Fantastic, Kevin. Thank you. Pretty exciting stuff. A lot going on here. A lot of value we re going to create.

If we move to Slide 22, we have substantial incremental revenue opportunities with synergies that will drive accelerated revenue and earnings growth over the next three years. We expect to fully realize $375 million of run rate cost synergies within 36 months. The majority of these savings are in cost of goods and represent less than 50 basis points of improvement. Savings are derived from both food and consumables as well as pharmacy.

Capturing incremental valuable pharmacy customers through preferred and narrow networks built around our strong, local pharmacy network with partners like EnvisionRx and other PBMs and payers will be the largest contributor to our revenue opportunities. Rebranding Albertsons pharmacies to Rite Aid to create a more convenient and accessible network will be an important step in this effort.

As I mentioned earlier, leveraging the food and consumables expertise of our supermarkets and the pharmacy GM and HBC expertise of our drugstores to enhance the customer offering in both formats will also be a significant driver of revenue growth. We have a real opportunity to drive the top line by integrating our loyalty programs over time, but also by combining our customer data in the short run. And we will continue to broaden our health and wellness offering with opportunities like additional clinics in our supermarkets and continue to develop our best-in-class omnichannel offering.

Again, run rate revenue opportunities and cost synergies are expected to be realized by February 2022, with incremental one-time costs of $400 million and $300 million, respectively.

Slide 23 shows our strengthened financial profile, again with almost 4,900 stores, $83 billion in revenues and an additional revenue opportunity of $3.6 billion. Adjusted pro forma for Year 1 of $3.4 billion, again based on both companies guidance for this year and the first year synergies, and with full run rate cost synergies of $3.7 billion, and net debt to Adjusted EBITDA of 4.2 times when including all the expected synergies at 3.9 times, with a goal of reducing our leverage to 2.7 times within 36 months.

On Page 24, this illustrates that we will have a diversified free cash flow and revenue model with about 72% of our business in grocery, about 13% in pharmacy, 7% in the PBM and about 8% in the traditional kind of front end business of Rite Aid.

We ll generate substantial free cash flow with, again, on fiscal year 18 about $1.9 billion, and we ll have a valuable real estate portfolio that we can use to generate cash for strategic investments when needed, but is also the cornerstone of our retail network with highly valuable First and Main locations including a significant number of trophy locations with opportunities for development, and a substantial number of 590 Albertsons stores remodeled over the last three years and over 1,600 Rite Aid remodels since fiscal year 12. So, a very powerful asset for us moving forward.

Looking at Slide 25, our plan delivers significant growth in revenues, EBITDA and EPS. This slide lays out our three-year outlook. We ve tried to highlight the building blocks by separating growth from our core retail business and growth from other drivers that are unique to our business that our peer group would not have.

For revenues, our core retail business is expected to contributed about 1.5% to 2% of our annual growth, while it will contribute about 4% to 5% of our EBITDA annual growth. So, in addition to our core business growth, let me talk about a couple of our unique growth drivers. One, we still have some Safeway integration synergies that are expected to be achieved, and two, we will restore Albertsons shrink back to historic levels after an increase to unusual levels in the last year or so, largely related to the systems and warehouse conversions and integration, and Bob Dimond will speak further to these drivers later today. These unique drivers will add about 2% to 3% annual growth to our EBITDA outlook. We will also invest in our PBM which we expect to drive about 1% of our annual revenue growth, but because we are investing in growth it will not significantly contribute to earnings growth.

Lastly, the very significant synergies we will achieve as part of this combination, both the cost synergies and revenue opportunities, will add 1% to 1.5% annual growth to revenues and 5% to 6.5% annual growth to EBITDA.

So, when you put this all together, our EPS growth will be outsized relative to our peers. That is largely driven by our unique growth drivers our business will have, namely the cost synergies and revenue opportunities as part of the combination, and the Albertsons unique items related to Safeway synergies and shrink improvement. Bob Dimond will give some additional model drivers in his section that will help you conceptualize all of this.

Now we re going to put our foot on the accelerator and move to light speed by introducing my partner Jim Donald to give an overview of the Albertsons business.

8

Jim Donald:

Thank you, John. Thank you, Kevin. Let me start with this: It s good to be back. I left Albertsons in 1991 to continue in the grocery business with Walmart, Safeway, Pathmark and Haggen, but when I left Albertsons we had 500-plus stores, $8.5 billion in sales and 85,000 employees. Ecommerce back then was our fax machines. Omnichannel was our stores, bricks and mortar, and coupon books. Home delivery, well, it was our store director who would take something to Mrs. Smith because she forgot something, and data science was our cashier s reminding Mrs. Smith by the way, that s called voice activation today that she did indeed forget something.

So, when Bob Miller asked me, called me this past January to see if I had an interest in being a part of the Albertsons team, I said, Maybe. I mean I knew Shane. I knew Susan. I knew hundreds of other Albertsons leaders out there. I led Safeway s Eastern region. I also got the chance to work at Haggen and sell that company for the family. However, when Bob mentioned the potential of teaming up with Rite Aid, I said, Definitely. Besides working with John and his team for over five years as a Board member, I got excited about the potential to bring together the combined strengths of food, health and wellness. So, here I am.

Go to Page 27, Daisy.

I want to talk about Albertsons Companies, and they say in the industry the more things change, the more they stay the same, and I say maybe. In our case, and we ve said this as Albertsons Companies since 1939, we want to be our customers favorite local supermarket focusing on the three areas you see on this slide: our store operations, our people which now number 280,000 before the merger with Rite Aid, and our communities. You can see on the right-hand side the work we ve done just last year with our communities.

If you look at the middle slide though, it s a recently launched employee promise and this has changed it says making every day a better day for our people, our customers, our company and our communities. This is not an elevator speech; it s a promise and it s one that we ll apply and accelerate the merger of Albertsons and Rite Aid. You might ask why is this important? Our business, our communities, our customers and our associates are becoming more diverse in every four-wall and no-wall environment that we operate in, whether it s age, gender, religion or color. Our job, regarding this statement is simple. To provide all our customers what they want, when they want it, whatever, however way they choose in the most efficient manner possible. The winner in the bricks and mortar ecommerce environment will be the entity that speaks the language of all their customers and their potential customers.

If you go to Page 28, Albertsons at a Glance. We re 22 banners with Rite Aid. As Albertsons Companies we operate in 35 states, and both companies, as John showed, have between 45% to 50% of their stores on the East Coast, which creates strength and consistencies with numbers, and that s regarding sales and cash flow. With $60 billion in sales, we rank number one or number two in 66% of our MSAs, as John mentioned, and 34 million customers go through our doors or our digital corridors weekly, and they also purchase our Own Brands, giving us a fiscal 18 run rate of 24% and growing, as well as filling 102 million scripts a year. Our foundational strengths are also our key differentiators, and moreso now than back in 1991.

In my last 80 days of being back, I ve toured all 22 banners, morning, noon and night, and weekends. I ve been in several of our 23 distribution centers, and several of our 20 self-manufacturing plants. I can tell you this. As a very large and widespread food company, we are more local than most. Several, actually

9

many divisions have over 100 years in their marketplace, and when I say we re local examples would be that our Acme division is the sole team of the world champion Philadelphia Eagles; our United division is a sponsor and direct supporter of and the stores of Texas Tech. Jewel has the Cubs. I could go on and on.

We re fresher than most. Utilizing our vast network of distribution centers and manufacturing plants, we run our operations in a decentralized manner which give us first-to-market advantage. In Boston, by the way, today, our Shaw s banner and Star banner is two weeks ahead of everyone else selling Wahlburgers. If you haven t had a Wahlburger, you ve got to try it because it s from Mark Wahlberg and his brother who are from the area, Dorchester, Massachusetts. But also, after spending several days over the past several weeks in our culinary labs and technology center, the ability, our ability as a large chain to customize, for example, fresh soups in our Hot Bar specifically for each division, personalized through our Open Nature and O Organics line, as well as innovate Kevin touched on some of this one-touch fuel, no-touch checkout, machine learning, wall-to-wall to no-wall technology to improve our efficiency, it s never been better. Again, giving our customers what they want, when they want it in whatever way they choose.

While Shane will address this next slide, the more things change, the more they stay the same, but what hasn t changed in this slide is the first two components that you see up here that have been around since 1939, and they as well as the others will help continue to drive customers into our stores. Shane?

Shane Sampson:

Thanks, Jim. How we started the meeting off today was really with the video around evolution. I think that you ll see over the past several years, the Company has really changed when it comes to what its capabilities are and how it behaves. Jim s right. You have to run really great stores day in day out and be very consistent around that and give great service.

One of the things that we ve prided ourselves on are the next key initiatives, here, and I ll do this together with Susan, Jim, and our partners here today, we ll tag team these core competencies. So it s really provide a compelling product offering. We ve worked really hard on expanding National Organic which I ll touch on here in just a second. Our Own Brands portfolio, I ve got a couple of slides in here on how that s all evolved as well. Differentiated store formats, and what we ve done to remerchandise our stores and refresh the stores, Susan will touch on. We ve made significant supply chain and self-manufacturing changes and expanded our capabilities, and Kevin touched on this earlier around what we ve done around ecommerce, digital and growth of our loyalty programs and we ll dive a little deeper into that.

It s been a short three years behind us around integration and system conversion. We ve got a lot of expertise in doing that, so we think that bodes well for the future, and Susan will touch on that.

On Page 31, one of the things that we re very-

Jim Donald:

I think it s 30, first.

Shane Sampson:

Oh, sorry.

Jim Donald:

Let me just talk about 4 F s and a C. Besides being my first half of my freshman year in high school, my grades, there s a story that goes behind this.

It was put together by a store manager in Fort Worth as he was coaching his young workforce. While 4 Fs and a C, he told his young workforce, doesn t necessarily do great in an academic environment, it sure helped him remind his team about the fundamentals of not only building a bricks and mortar operation but also it helps build the foundation of a great ecommerce business, and you can t have a great ecommerce business without having a great bricks and mortar business. You just can t say we want to be full, fresh, friendly, fast and clean without talking about how we do it, and this is important.

Full, I mentioned this earlier. With our vast network of distribution centers and manufacturing facilities, truck routes are shorter, they re less costly and just-in-time. This reduces out of stocks and helps with our capacity issues. Just last week I was in Fishtown, Pennsylvania in a old remodeled SuperFresh. The produce department does about $6.5 million to $7 million in a very small facility. Without having daily trucks, we would not be able to achieve these numbers.

Fresh. First, we re closer to our customers. We have decentralized marketing which lets every division, not only buy local but also be the first to market. I live on the West Coast, I live on the East Coast, I live everywhere, but as I was in Bordentown, Pennsylvania last week, first to market of all of our competition was Alaskan halibut. Two cases came in, two hours it s gone, 35% margin at $30 a pound. Being fresh and being local are definitely advantage us.

Friendly. Bad service in our bricks and mortar will equal a perceived bad service in our ecommerce business. Making every day a better day for our employees, which I mentioned earlier, improves the engagement of associates, which improves the likelihood of stronger customer associations. In this manner, when they re engaged, they don t view their work as an obligation but rather as an opportunity. With the addition, as Kevin mentioned, of scheduling technology being rolled out as I speak, we are able and we will be able to meet the demands of our customers both in four-wall and no-wall environment in a more efficient manner. By the way, our current Customer Service Index for 2018 outpaces our fourth quarter of 2017.

Fast. According to a consulting firm, Aiden, 86% of U.S. consumers left a store due to long lines, costing retail $38 billion. For us, bricks and mortar, not only we d be losing the business but it could and it can migrate customers over to a no-wall environment that doesn t belong to us. So, for fast, for us, what s that mean? Each front end has it s own supervisor. Card processing is under two second now, down from six to seven seconds. We re eliminating signature requirements; digital receipts, and as a result we are seeing much improved improvement in our calls into our Customer Call Center.

The four F s have always been important but never more now as we combine forces with Rite Aid to attract even more customers through our omnichannel strategy.

Finally, the C, Clean. I think you ll find this interesting. The very first person I called after telling Bob Miller that I would join the team is a fellow by the name of Jerry Nolan (phon). He s our head of Food Safety and Sanitation. I wanted to find out from him the history and the run rate of Albertsons Companies, and while poor service, poor promotions and bad locations can create death by 1,000 cuts, food safety and sanitation can be a company s knockout punch. For us, food safety, it s not corporate, it s local with dedicated experts in every division. As a company we have been overachieving on our food safety and sanitation over very high goals, leveraging the strengths of our food safety labs. Green green, that lingo, to a (inaudible) manager, which means you are above your goal in food safety and sanitation, is as powerful a conversation as talking about sales, profits and shrink.

The reason I made that call to Jerry Nolan, as Albertsons and Rite Aid combine forces to bring together their respective strengths in food, health and wellness, the onus is on Albertsons team to provide the best food safety and sanitation environment, and share our decades of experience with our Rite Aid partners.

Shane, I ll turn it over to you.

Shane Sampson:

So the merchant (inaudible) was excited to get to Page 31, so we re now on Page 31 and we re going to talk about product. Boom!

Our fresh continues to outpace our center of store by over 100 basis points, and that was for calendar year last year. Here s a couple of examples of how we differentiate ourselves. It s really the focus on organic produce, our Own Brands and natural products back in our protein meat and seafood departments, and Jim just mentioned our Signature Butcher Blocks, which we re excited about and continue to invest in. This is really focused around the quality aspect of our business. Our stores and our divisions buy on spec, they don t buy in ranges. They buy in tightly ranged product quality specs so that we provide the best product for our customers.

If you go to Page 32, a couple of more examples of how we differentiate ourselves versus the rest of the market is we focus very hard on our wine, beer and wine, liquor departments which we think are differentiated versus the rest of the market and have lots of SKUs. For example, our high SKU departments are 3,000 to 4,000 SKUs of variety of wines. We sell the most amount of wines over $20 of any retailer in the country. Again, cheese shops, fresh cut fruits and vegetables, always fresh Signature fried chicken. Again, our foodservice continues to outpace the rest of the store. Again, differentiated examples of how we have a compelling product offering.

Let s go to Page 33, and I m really excited about this, as as you can see around the room, our natural and organic continues to rock and roll, and it s been on a tear for the last several years. The growth rate the last year was 7.8%. It s over 12% of the store s penetration today. Own brands plays a significant role in that with O Organics and Open Nature, and as you might have recently have seen, our O Organics, the only USDA certified Organic brand in the nation, crossed a billion dollars most recently, and again, we continue to invest in Open Nature and you see the products listed around here in the room.

One of the things too that we work really hard on with our groups is what we call NOSHE, and it s natural, organic, specialty, health and ethnic, which is in the bottom left-hand box here. We ve reset a significant amount of stores, around 175 stores last year to focus on adding specialty SKUs to them. We ve also worked on Signature Reserve, adding that line which is a new line for us, which is an elite line of differentiated products in our Own Brands portfolio.

We re also working with our El Rancho group to appeal to the Hispanic consumer around product lines through our BakeMex facility and we re rolling out Hispanic merchandise into our Albertsons stores, and if you go to Page 34 and look at our extensive home brands portfolio, what you see around the room here today, we re very excited about that. We re very excited about the combination of these brands with our Rite 18 members which will add Rite Aid brands along with Thrifty Ice Cream into the bottom brands. Today, it s an $11.5 billion business. It s a competitive advantage for us. It s six times the next closest size of a CPG company. We ve sped the process up. We ve got the products out into all of our stores. We

12

took the innovation from 40 weeks to 20 weeks this year, and as John mentioned earlier, now we have four billion-dollar brands. So, again, we re very, very excited around not only what this brand brings to us from a variety perspective, but how it creates a competitive advantage in the market.

If you go to Page 35, this will give you an example of how we think that this creates a competitive advantage from a loyalty perspective. This is the customers voting, from a satisfaction, willingness to repurchase and willingness to recommend, and we have seven of the top 10 private label brands out there in the country. So, again, creating differentiation for us versus the rest of the marketplace.

If you go to the next slide, this is why this is very, very important. We get three extra trips and the basket size for a quarter is up $91. So, very, very important customer for us, and again, I d challenge you to take any of the items we have a bag here for you today great quality. Quality first, lots of variety here in the room, and hopefully you can see the difference that we re making from a packaging perspective.

With that, I m going to turn it over to Susan to talk about our diverse set of store segmentation. Susan?

Susan Morris:

Great. Thank you, Shane. Good morning everybody.

As you heard Jim mention earlier, we have a decentralized structure and what that means for us is that we have 13 division presidents across the country that are positioned to make decisions closest to our customers, which we think is extremely important. Our merchants and our operators live in the markets that they run, which creates a unique opportunity to develop decisions, go-to-market strategies that are most relevant to the diverse customers that we serve.

With this in mind, we have three formats that you ll see on Slide 37 here, that basically break out our go-to-market strategy in one way or another, and by the way, across all of these our 4 F s and a C that Jim Donald mentioned earlier truly apply.

Our ultra premium banners, you can see listed there as an example, our Pavilion stores in Southern California, our Market Streets in Texas, Star Markets in Boston, and Haggen in the Seattle Northwest area, are all located in affluent areas to bring affluent customers. In these stores we offer the best quality of fresh, including really decadent bakery products, a wide variety of specialty cheeses, prime beef, the wines that Shane mentioned of 3,000 to 4,000 bottles; it s more than that in these stores. We offer truly differentiated prepared foods as well. We re talking restaurant quality products that you d be proud to serve at an event. Oh, and by the way, we offer concierge services as well so we can help plan parties, weddings, and so forth.

Moving to the middle section there, you ll see our mainstream and premium banners. Now, this really represents the bulk of our stores, the core of our business. We still offer a wide variety of products across multiple categories. This is the NOSHE that Shane mentioned earlier, still very important to our customers today. In fact, we ve really expanded upon that variety in most of our stores, in many cases adding 1,000/2,000, sometimes 3,000 different specialty items throughout the store. We offer better quality fresh and prepared foods, and in these stores we are competitively priced with strong promotional activity and great loyalty programs.

On the far right, you ll see our value formats. Again, great stores for us. You can see the banners that we operate in there. Lucky, Amigo, our partnership with El Rancho and of course Pak n Save in Northern California. These are value-focused banners that are family friendly. They are very focused on lower everyday prices but also hot promotions to continue to drive traffic in. We carry a wide variety of value items in these stores and then they are customized to fit with our local needs, but we can also leverage this value format to buy in bulk because we can really drive some tonnage out of these stores.

On Page 38, over the last three years we ve invested $4 billion to keep our fleet relevant and updated, and by the way, our Safeway acquisition three years ago, those stores were already well invested, so this wasn t make-up capital; this is truly new investments to keep our business current and moving forward.

We ve touched over 1,800 stores with over 4,000 merchandising initiatives, and these are things like adding fresh cut departments in all of our stores, having full-service Butcher Blocks, upgrading our Service, Deli and prepared foods, and also as Shane mentioned before, doing full store resets and fixing adjacencies, adding in incremental variety and driving sales.

We also had just under 600 major remodels in our stores with very, very solid returns, and you can see at the bottom of the slide here, the first two are premium remodels. The first picture you ll see is a Market Street in Abilene, Texas. This is a store where we spent a little more than we normally would at $4.7 million, but you can see the return. We had 132% increase in sales and a payback of just one year.

Next over is a Pavilions store in Pasadena, California, where we spent $3.5 million, saw 35.8% ID sales increase and payback was about 1.7 years.

Finally, the last block there really reflects a traditional remodel. Now, that $1.6 million range is really more of our average spend on a remodel, but you can see, again a nice payback, 17% ID sales increase and payback in just three years.

On Slide 39, I want to talk a little bit more about our supply chain capabilities. Jim touched on this a little bit already. Whenever possible, we prefer to self-distribute. With our 23 strategic locations across the United States, you can see that enables us to do several things. First of all, it helps us eliminate or reduce third party costs. It gives us complete control over what we buy, how we buy, the assortment that we carry, how we schedule loads and so forth. We re also very proud of our best-in-class rigorous control on costs, and continue to take costs out of our business on a regular basis.

We ve consolidated seven distribution centers in the last three years, and what this has done for us is help us lower fixed costs, enhance our margins by improving our buying power as we leverage our size and can exercise that.

With our well-placed DCs and the addition soon of our Rite Aid facilities, we are absolutely well positioned for growth and quite able to serve our store fleet across the country. As it stands today in Albertsons Companies, we move about 1.3 billion cases per year, most of that with our own tractors and trailers, but I think it s important to note too that we supply Alaska and Hawaii by barge, by plane, by train, and then we also service in Alaska 200 independent operators, so we have those capabilities as well.

On Slide 40,you can see a map of our manufacturing plants. As Jim mentioned earlier, we operate 20 self-manufacturing plants, which also allows us to leverage our fixed costs, and it also creates our ability to create proprietary Own Brand innovation that no one else will have and I ll talk more about that in a second.

We also have great visibility into our raw costs, which does two things for us. First of all, it gives us insights and leverage with our CPG vendor partners as they come in with cost increases or negotiating on commodities; we have that insight. It also helps us evaluate on a regular basis our make versus buy options. We, again, prefer to self-manufacture when we can but we re also going to make the best choices that we can get the lowest possible cost of goods with the best quality.

On the left you can see the breakdown of our plants across the country and the products that we make. I would like to call out though that our dairy makes up over half of our sales coming out of the facilities, which, again, as Jim reminded you, our internal volume is just over $870 million annually, but we also produce $200 million annually for outside companies as well.

Our plants are extremely well run. We focus on continuous improvement here as well; in fact their motto is better than yesterday. So, whether it s better quality, better safety, better productivity, again, better than yesterday.

Our food safety standards are excellent. We have world-class scores there and we have zero recalls in this past year.

On this slide here, on Slide 41, I mentioned innovation, and soda sales, as an example, are one of our largest categories, and while they re declining slightly, again, still very large for us, where the innovation is in this category though is in fleet (phon) cans, which you ll see there, the mini cans that we ve introduced. Also in sparkling water and flavored waters which have also just introduced recently.

On the right-hand of the slide, you ll see O Organics wide pan bread. Organics, as Shane mentioned, are growing like crazy and wide pans are definitely the category to follow in bread.

Across the bottom we have some fun innovation there. These are our ice cream items and some yogurt items. You ll see our Scandal-less brand down there at the bottom, which the whole pint is just 280-ish calories, depending on the flavor you get. Then, towards the middle, the black label is that Signature Reserve that Shane mentioned, and they re about two bites these 280 calories, but man, it tastes fantastic. We have fun flavors like Maple Bourbon Pecan and so forth.

I want to show you a video here in just one second, and it really highlights our Norwalk plant where we just added fleet can capability. As you watch the video, please notice we re very big on food safety you ll see everybody wearing hair nets and beard nets the cleanliness of the facility and maybe most importantly the pride of our employees that work there.

(Video Presentation)

Susan Morris:

Thank you. Whoops, that one is not supposed to play, unless you guys want to learn about ice cream. It s awesome.

With that, I ll turn it over to Shane to talk about ecommerce.

Shane Sampson:

So, how the speed of the game has really changed here, in this next section. You know, the first section was really Susan and myself and Jim talking about product, the stores, how we operate, and now it s really as we would describe it, what s outside the walls and how we re connecting with the customer.

15

Kevin heads up our technology committee. He s played a large role in shaping how we kind of go to market from a technology, digital, ecommerce and loyalty perspective, but I would tell you that it starts really at the corner office, to be honest. Our Chairman/CEO has pushed forward these initiatives as well and been a great partner along with John, Jim, and everybody here at the table. There s not been a day that s not went by, how are we going to connect with the customers that s not inside the four walls?

Let me first start with Page 42. Let s talk about our target for this year in 2018 is really to be a billion-dollar ecommerce business. We got there differently from the market. We had our trucks, internal platform. We ve now got 1,000 drivers, or 1,000 trucks and over 1,200 drivers, and really taken those brand ambassadors and scaling those out across the nation. It was first and foremost how do we have our, as John described, our black tie service that takes groceries into somebody s home and if need be they place them in the cupboard. So, again, a very, very differentiated service and we rolled that out across the nation.

The next thing that we did to build breadth was to start rolling out Drive Up & Go. We got into 100 locations last year. This year we ll scale that up to over 500 locations, so, again, giving the customers what they want, how they want it, when they want it.

The next thing we did, the first part of this year and late last year was how do we get there and get there fast, from a rush delivery perspective? Same day, one to two-hour windows. We did that through a partnership with Instacart. We were able to roll that out across the nation in 1,700 locations, and you can see the growth there. Where we ve been from 16, 17, 18, and where we expect to be in the future. So, build breadth, now we re back building depth. How do we do that through specialized offerings, which I m going to talk about around of course pharmacy, wine, flowers, gift, baby, pet would be just the categories to name a few. We ve got a unique value proposition in our Plated, a company that we acquired late last year, that I ve also got a slide on. And, again, how are we going to build this out with our future capabilities, through virtual stores, making our platforms frictionless, and then partnering with other third-party providers.

So, with that, let s go to Page 43, and let s talk about where we re at. This is really where we re at today. Again, we got there, how do we build breadth, how do we build depth, and we ve got that rolled out across the nation with our own home delivery. We ve also rolled out a new interfacing platform. So, if you pulled up Safeway or Albertsons.com or Vons.com today, you d see a contemporary fresh look on the ecommerce home delivery platforms. So, again, upgrade the platform, roll out across the nation, and then build depth.

Again, building depth in our Drive Up & Go s, 500 locations by quite frankly, we re ahead of schedule there. We ll be there somewhere early before the holidays, in the August/September timeframe. We continue to upgrade the platform there. We continue to shorten the windows to make it better for the customers, where they combine one- to two-hour windows. Again, we ll finally, late this summer, right before the holidays, get densities in the market to be able to advertise this correctly.

Then, again, Instacart, we re very excited with what that relationship has brought us. It allowed us to get the one- to two-hour same-day delivery very quickly. We ll scale that up to over 2,000 locations. We re in the process of launching a Natural Organic storefront currently. Again, we got there very, very differently from our customers today.

So, if we go to Page 44, how are we going to continue to evolve? If you look at the left-hand side of the slide there, it s really, first and foremost, grow Plated. As John mentioned earlier, we expect to double the volume and double the subscription base this year, and we re going to roll out to over 650 stores. Again,

this is a completely different customer than what comes into our store day in and day out, and this is offering customers options, which Kevin touched on earlier.

Focus on business-to-business, we think that that s an untapped category for us that provides a foundation as we go forward on our ecommerce platforms to help us grow. Only 14% of our business is done in business-to-business today, and we know that there s a ton of growth there.

Again, I touched on building of brands and offerings around, of course, today, first and foremost, pharmacy, health and wellness. I touched on wine, floral, baby and pet.

One of the other partnerships that we re excited about is Grubhub, you know, how do we appeal to that fast casual dining customer that we may not be getting in our brick-and-mortar stores or on our ecommerce platform, how do we satisfy that need when a customer wants fast, hot casual meals out of our food prepared areas.

Then the Infinite Aisle. We re going to launch the Infinite Aisle this summer, and, really, it s the funnel to open up the SKU assortment to over 100,000 SKUs on our platform, where we typically carry today, you know, 30,000 to 35,000 SKUs in a store. That could be local, hard-to-find, unique SKUs that the customer is looking for. So, how do we appeal to that customer in those items that we may not carry every single day.

The other thing that we re excited about, by having the marketplace and the Infinite Aisle, is to be able to see trends early on that we may not see in individual stores or individual locations of emerging trends and products that we can bring back either through our CPG partners or we can develop those items and take them to our Own Brands portfolio.

Let s move to Page 45 and talk about aggressively growing out digital, loyalty and rewards. Again, very similar to our ecommerce platform, we ve done all of this work, along with the integration work that we did around bringing our Albertsons stores onto the Safeway Albertsons technology platform. So, we ve rolled out we are in the process of rolling out Just for U across the nation. We had My Mix, that was a digital platform out east. We will transition that over by September of this year to the Just for U platform. Again, 400 million personalized deals each week, 13 million registered households growing at 30% to 40% every single week. So, if folks signed up, if folks redeeming. So, again, very, very high growth on the platforms.

The next two boxes are how do we reward our best customers. Again, we ve done that primarily through fuel rewards, through 5,000 partner stations or our 390 company-owned gas stations, where the more you buy, the more you can go and redeem and save money at the pump. We ve added Grocery Rewards to that this year, and now we have that in over 750 stores. What that does, is it allows the customer a choice. It allows the customer a choice of whether they want to come back into the store and take that currency that they would normally apply to their fuel tank, or lowering their fuel bill, or taking that lower net to their grocery bill. So, again, we like this a lot, because it gains another trip back into the store and it s shown to be $6.00 to $8.00 more per spend per basket than our fuel redeemers.

Then, how do we connect with the customers utilizing the leverage with our CPG partners, and it s really through Albertsons Performance Media. It s really a closed-loop process, where we re taking CPG marketing dollars, sending targeted offers through the system, and being able to measure those at a category level, so that the CPGs know exactly what their spend ROIs are by item, by category. We found that to be very, very advantageous for us and we re getting additional investment to reward our customers for the more they buy.

With that, I ll turn this over now to Susan to talk about Safeway integration.

Susan Morris:

But first a video.

(Video Presentation)

Shane Sampson:

So, those, while they were (inaudible), we didn t put the ending in there where he s all excited about Just for U and how that helps him save money. So, with that, I will turn it over to Susan on Page 46.

Susan Morris:

Okay, great. So, right before start and turn this over to our Rite Aid friends, we ll talk quickly about integration. The good news is Albertsons and Safeway together have had terrific experience with integrations. Whether it s one store, 900 stores or 1,300 stores, what we ve done is created a very repeatable and codified process that we manage internally with our employees, so that we minimize these to third parties. In our most recent merger with Safeway, we ve converted so far, there s some more to go, but over 600 stores. Within that, we ve trained 70,000 employees, and by the way, we ve had really strong success. These transitions include complete system change-outs, complete IT change-outs in our stores. So, basically, if it plugs in and it s not a refrigerated piece of equipment, it s changes. So, our employees have had a big learning curve and they ve done phenomenally well, and it s not been very much of a disruption in terms of our service and taking care of our customers. Our DCs, we ve also had some consolidations there, as well, pulling different stores from different banners out of the same distribution centers, and that s worked extremely well, also.

We ve had a proven track record on synergies. You can see in the chart on the right-hand side of Page 46, that we planned, at the time of announcement three years ago, to have $800 million in synergies. We are on track to exceed that number. Our run rate right now is $823 million. So, we ve done a phenomenal job in terms of (inaudible) maximizing those synergies. Our Rite Aid merger has a much smaller scope, so it does not require as extensive conversions with our stores and distribution centers, so we re very optimistic about how that will all come out, it should be very smooth for us, and the cost and efforts behind it will be greatly reduced.

So, with that, I will turn it over to Kermit and the Rite Aid Team to give us an overview of the business.

Kermit Crawford:

Thank you, Susan. I d like to begin the Rite Aid portion of our presentation with a short video, please.

(Video Presentation)

So, let me start this morning with just a few opening comments before I get to our mission, strategy and culture. I think the goal of our presentation today is that you will walk away with three things: first, that you will have a better understanding of our strategy, our capabilities and our plan to win; second, you will clearly see how the combination with Albertsons accelerates our strategy and plan to win in a way that Rite Aid as a standalone company could not have accomplished; and finally, you will see that Rite Aid and Albertsons are just a much better company together, have a common culture and desire to win, and most importantly, this combination is unique, in that it differentiates both Rite Aid and Albertsons from each of our primary retail pharmacy and grocery competitors.

So, if we look at Slide 48, the Rite Aid mission is to improve the health and wellness of our communities. We have established three strategic pillars to accomplish this mission.

Our first strategic pillar is to grow our front end sales through providing a convenient shopping experience with tailored offerings for our customers. Bryan will discuss this in more detail, but we are focused on three key initiatives to drive our front end growth: first is through growing Own Brands penetration and offering an assortment of products tailored to our key markets; second, through the relaunch of our wellness+ loyalty program to drive growth of new and retain existing customers; and third, to continue to differentiate our wellness+ store format through utilizing customer data and analytics.

Secondly, which you ll hear more from Jocey, is our pharmacists and healthcare professionals will serve as trusted advisors for our pharmacy customers and patients. We will improve productivity and efficiency through the use of technology, freeing up our pharmacists and healthcare professionals to provide clinical services and better serve our customers wellness needs. We will continue to develop and expand retail clinical services, allowing us to play a greater role in the retailization of healthcare, and we will continue to solidify our payor relationships, increasing access to customers, with sustainable economics and driving additional traffic to our stores.

In our third pillar, we will focus on building winning value propositions for payors, providers and customers through investing in our three key healthcare assets: EnvisionRxOptions, RediClinic and Health Dialog.

Finally, all these pillars will be supported by digitally-enabled customer experience and, most importantly, a dedicated group of talented leaders at all levels of the organization.

As you listen to Bryan and Jocey and I today, I think you will see how what you just heard from our partners at Albertsons will accelerate our strategy and better position us to win beginning day one of this merger.

So, if we turn to Slide 49, for us, it all starts with our Rite Aid associate