

> Big Y Acquires 7 A&P Stores

Big Y Acquires 7 A&P Stores

Sep 13, 2010 12:00 PM, By MARK HAMSTRA



SPRINGFIELD, Mass. [Big Y Foods](#) here said last week it has agreed to acquire seven A&P supermarkets in northern Connecticut, but sources said the company might not end up keeping all of them open.

"This may be a real estate strategy in which they operate maybe three of the stores, and let the leases expire on the rest to eliminate a competitor," said Matt Casey of real estate consulting firm Matthew P. Casey & Associates, Clark, N.J.

In some locations where Big Y already has stores nearby the acquired stores, it might choose to shutter one or the other location and "hope the business from the closed store transfers" to the other, he said.

He estimated that two of the locations "in Branford and West Hartford" are highly profitable, while the others (East Haven, Middletown, Mystic, Naugatuck and Old Lyme) are not profitable at all or marginally profitable at best.

Still, he said, the acquisition can be seen as a win for both companies as A&P sheds several unprofitable stores and Big Y secures established locations.

"This is a great move for Big Y," he said. "Finding new real estate in markets like New England is difficult, especially in this economy, and this gives them seven established locations to build from."

Big Y, which is supplied by Cheshire, Conn.-based Bozzuto's, is likely to add labor and services to the stores, potentially boosting the performance of the locations that are currently marginal, Casey explained.

He also pointed out that the leases on most of the stores expire within the next few years "the Mystic store is an exception" which gives Big Y some flexibility to either retain or close the stores.

Terms of the acquisition, which is scheduled to close by the end of October, were not disclosed. The Food Partners of Washington, D.C., assisted Big Y with the transaction, Big Y said.

"The acquisition of these stores provides an opportunity for Big Y to move into some key locations that make it a natural fit for Big Y by filling in holes within our existing markets," said Charles L. D'Amour, president and chief operating officer, Big Y, in a prepared statement. "And, despite the troubling economy, we are especially excited about providing our employees with opportunities as we grow within our home markets."

Big Y, a family-owned company operating 58 supermarkets in the region, said it expects to close the stores briefly for remodeling and to reopen "a number" of them as Big Y World Class Markets.

The company has a history of expansion through both acquisition and new construction, and in fact acquired four

stores in the Massachusetts towns of South Hadley, Springfield and Westfield, and in Enfield, Conn. from A&P in 2003, later closing the Enfield location and using two of the others as replacement stores for smaller Big Y locations nearby.

For A&P, the sale continues an effort to shed peripheral assets. "We continue to evaluate our operating footprint and its alignment with our turnaround strategy," said Sam Martin, president and chief executive officer of Montvale, N.J.-based A&P, in a prepared statement. "These seven stores were clearly outside of our core markets and their sale was necessary."

The sale follows A&P's previously announced plans to shutter 25 locations, which are separate from the seven stores being sold to Big Y. As previously reported, A&P is also said to be seeking a buyer for its Food Emporium chain in New York City, and is thought to be shopping other assets as well.

Find this article at:

http://www.supermarketnews.com/retail_financial/big-y-acquires-ap-stores-0913/index.html

Check the box to include the list of links referenced in the article.

© 2008 Penton Media, Inc. All rights reserved.