Delhaize Group Profit Off 1% Despite Higher Revenues

BRUSSELS — Delhaize Group reported a 5.1% increase in net sales and other revenues to 4.7 billion euros ($5.5 billion) for the third quarter of fiscal 2005. Net profit was 89.7 million euros, down 1%.

"In the third quarter we have seen that our initiatives to further differentiate our store concepts and improve our execution have resulted in accelerated sales and earnings momentum compared with the second quarter of 2005, particularly at Food Lion, our largest banner," says president and chief executive officer Pierre-Olivier Beckers.

He notes that expenses related to long-term strategic initiatives hurt Delhaize's operating margins, as did higher energy prices.

GLOBAL MMR

GLOBAL NEWS

ARGENTINA PRICE DEAL: The government of Argentina says it has reached a two-month agreement with the country's leading supermarket chains that calls for the retailers to cut prices in an effort to reduce inflation. The pact calls for a 15% cut in food and clothing prices that would extend through January 31, 2006. Parties to the agreement include such retailers as Coto, Carrefour SA, Censcosud and Wal-Mart Stores Inc.

AUSTRALIAN EXEC DIES: Australian retail executive Dick McMorron has died. McMorron, who retired from Woolworths Ltd.'s Big W chain in 2003 after a long career, was brought back in March of this year to restore profit growth to the discount chain. In a memorial notice, the company called McMorron "a man who made a huge contribution to the Woolworths company over many years," and called him a "great man who will be sorely missed."

SALES DROP IN JAPAN: Japanese retail sales fell 0.3% in October, marking the first decline in eight months. Some analysts worried that the dip in sales suggested that private consumption, which the Japanese government has credited with leading the nation's economic recovery, may be weakening. But some attribute the fall instead to special factors, including warmer weather, which hurt apparel sales.

LOBLAW PAYS DIVIDEND: Loblaw Cos. has given notice that it will pay a quarterly dividend of 21 cents per share on December 30 to shareholders of record as of December 15.

TESCO GROWTH VIEW: Tesco PLC's worldwide operations will experience substantial growth over the next five years, according to a forecast from the international food and global think tank IGD. By 2010 IGD expects Tesco's global sales to reach approximately £63 billion ($109.2 billion), up from £34 billion this year, and its store count to top 4,350 stores, with nearly half located outside Britain.

A First for Trinidad

SPOTLIGHT

PORT OF SPAIN, Trinidad — On a Saturday in late September something special happened on the relatively small island of Trinidad, located just seven miles off the coast of Venezuela.

Prior to that day the 1.3 million people of that English-speaking nation had to settle mostly for small, undermerchandised, underwhelming mom-and-pop community pharmacies. An exception or two existed, with such local drug store entrepreneurs as Starlite and Kappa presenting more broadly assorted drug stores, but the great majority of Trinidadians live in communities with little access to those outlets.

On that Saturday morning the mayor of Port of Spain and other dignitaries, along with Super-Pharm Ltd. managing director and chief executive officer David Sobrian, cut a shiny red ribbon to open the first SuperPharm drug store on the island.

Without fanfare, the opening attracted a lot of attention. It could best be described as an exercise in crowd control as shoppers got their first look at a United States-style drug store, featuring a modern pharmacy with a drive-through window; an exciting array of cosmetics; one-hour photo-processing; diverse product categories, including card and party, school and office, small electronics, and medical devices; and a specially designed private lab testing room.

While a small number of established pharmacies on the island have home-grown and rather basic pharmacy dispensing systems, patients in Trinidad had never been exposed to computer-generated medication leaflets, drug-specific warning labels, duplicate receipts, and prescriptions dispensed in imported amber prescription vials.

To be sure, those that travel to the United States or Europe know of such things, but to most Trinidadians they are a new experience in a pharmacy. Handwritten prescription labels on ziplock bag containers have been the norm, but not any longer.

The 7,000-square-foot Super-Pharm drug store in the West Moorings area of Port of Spain is the first of many envisioned by the investors. The second will open in late November in Valsayn, and the third in Chaguanas in January. A fourth outlet is under construction in San Fernando, and several additional locations are being negotiated.

The stores and store associates are supported by a corporate office staff, including Sobrian, three category managers, a chief financial officer and accountants, an information technology department, a human resources team and all the other necessary functions.

The company also has a distribution center for front-end goods. The warehouse was considered necessary to assert control over an extended supply chain that requires merchandise to "float in" from suppliers in North, Central and South America.

What is now SuperPharm Ltd. was just an idea in the minds of investors Joseph Rahael, John Aboud and Peter George a little over two years ago. Thinking there may be an opportunity for something like a modern U.S.-

To page 21

The 7,000-square-foot SuperPharm is a new shopping experience

PriceSmart Expands in Costa Rica

SAN DIEGO — PriceSmart Inc., which owns and operates membership warehouse clubs in Central America and the Caribbean, has opened its fourth warehouse club in Costa Rica.

The company now operates 23 warehouse clubs in 11 countries and in the United States Virgin Islands.

PriceSmart reported fourth quarter net sales of $155.4 million, compared with $131 million in the prior year. The figures for both years exclude results from PriceSmart's Philippines subsidiary, which was sold in August 2005. Total revenues were $158.8 million, up from 133.9 million last year. The company recorded an operating loss of $465,000 for the quarter, compared with an operating loss of $3.1 million in the preceding year.

"We are encouraged by the improvement in operating results for our company," says chairman and interim chief executive officer Robert Price. "Sales increased 18.6% in the most recent quarter, membership sign-ups and renewals are very good and expenses have improved."

Japanese Retailers Retrench

TOKYO — A wave of store closures are recasting Japan's retail map, as two of its largest mass market retailers proceed with restructuring plans.

Daiei Inc., which has been teetering on the brink of bankruptcy for several years, shuttered 14 stores in late November, completing a restructuring plan that involved closing a total of 54 underperforming outlets. Daiei's plan calls for focusing its resources on operations in three areas, Tokyo, the southern island of Kyushi and the Kinki region. It is withdrawing from the Shikoku and Hokuriku areas and reducing its presence in the Chugoku area.

The company is also attempting to trim its payroll with an early retirement program. Its hopes for revival rest on opening new supermarkets.

Meanwhile, Ito-Yokado Co. plans to close five unprofitable stores in four prefectures over the next two years. In 2006 the company will shutter outlets in Saitama, Chiba and Yamanashi prefectures, followed by a single unit in Shizuoka prefecture in 2007.

Earlier this year Ito-Yokado announced that it would close more than 30 of its 180 outlets by February 2009 as part of its restructuring plan.

In recent years the company's growth has been driven by its 7-Eleven Japan convenience store operation, which generated sales of $22.59 billion last year, compared with $13.64 billion for the Ito-Yokado general merchandise outlets and supermarkets. The c-store sector in Japan has outperformed other retail formats in recent years by serving as neighborhood grocery outlets.

Tesco Sales Up 13.9% in Quarter

LONDON — Tesco PLC turned in double-digit increases in total sales and solid single-digit gains on a comparable-store basis during the third quarter, but the pace, which faced comparison with an exceptionally strong performance in the prior-year quarter, was the slowest in two years, disappointing analysts and investors.

Total sales rose 13.9%, fueled by strong performances from both domestic and international units. Sales in the United Kingdom increased 11.6% during the 14 weeks ended November 19, with comparable-store results gaining 7.9%.

However, excluding fuel sales, comparable-store results advanced 5.5%, short of the 5.8% expected by analysts surveyed by Reuters. The result was a sharp decline from the year-ago increase of 7.5%.

Severe competition among U.K.

To page 21

GLOBAL

Ahold Operating Profit Surges

AMSTERDAM — Royal Ahold NV recorded third quarter operating earnings of $302 million, more than two and a half times last year's $116 million.

The company also announced a split of its U.S. Foodservice unit into two companies in a move that was interpreted as a prelude to a spin-off.

Performance improved in the quarter, says chief executive Anders Moberg, although settlement of a lawsuit over accounting at U.S. Foodservice led to a net loss.

The company posted a deficit of $280 million after taking a $684 million charge to settle the suit, but indicated that it would maintain its financial targets. The 18-cent loss per share compared to a loss of 11 cents a share a year ago. Last year's figure was restated under International Financial Reporting Standards.

The retailer kept its guidance for 2006, including a 5% operating margin and 5% sales growth target for global retail operations.

Ahold still intends to exceed a 1.7% operating margin next year at U.S. Foodservice after agreeing to settle the lawsuit with a $1.1 billion payout to shareholders worldwide. The case was brought after the Netherlands-based retailer revealed a 1 billion euro profit overstatement at U.S. Foodservice in 2003, which led to revelations of accounting irregularities over a five-year period.

The split of U.S. Foodservice has led to one unit — with 85% of the division's sales — being named Broadline. It serves the independent restaurant and institutional market. The other business, Multi-Unit, serves chain restaurants.

Tesco Sales

From page 16

supermarkets generated price deflation of 1.6% excluding fuel.

Expanding its sales of general merchandise is one of Tesco's four key growth strategies, and results for the quarter were up in the double digits. Finance director Andrew Higginson told Reuters that the nonfood increase was comparable to that of the first half, when they grew 13%.

Analysts pointed out that the robust increase, coming in a sluggish consumer spending environment, meant that Tesco is taking market share away from competitors, including electronics specialty chains.

Tesco continued to see a strong performance from its international division, where sales vaulted 23.3% (16% at constant exchange rates). An ambitious store-opening program should continue to fuel double-digit growth. "We are on track to open almost 150 stores with a total of nearly 3.5 million square feet of sales area in International during the second half this year, representing our largest-ever opening program overseas," says a company spokesman.

The mix includes greeting cards, stationery and convenience food

Some described opening day as an exercise in "crowd control"

A First for Trinidad

From page 16

style drug store in Trinidad, Raphael and Aboud traveled to the National Association of Chain Drug Stores Pharmacy & Technology Conference in Philadelphia in August 2003. There they discussed their idea with Terry Arth, NACDS' vice president of meetings and international programs.

Arth introduced them to former pharmacy retailer and industry consultant Robert Coopman, president of Robert Coopman Consultants. He brought in category manager and merchandising expert Victor Alessandro.

A consulting relationship was negotiated, and Coopman and Alessandro were in Trinidad with the investors the next month to research the opportunity, develop the business plan, choose merchandise categories and work through store design, IT requirements, staffing needs and all of the hundreds of things necessary to build a drug chain from scratch.

After almost one trip per month to Trinidad for Coopman and Alessandro to work with the investors and Sobrian, the retailer is off and running. It appears that all parties are enthusiastic about the future of SuperPharm on the island.

Even more bullish is a cadre of local Trinidadian board of pharmacy-certified pharmacists, who are thrilled about practicing in a state-of-the-art environment.

HBC Says Latest Bid Doesn't Reflect True Value

TORONTO — The board of Hudson's Bay Co. (HBC) has recommended to shareholders that they not accept the offer of $14.75 (Canadian) a share made to them on November 10 by Maple Leaf Heritage Investments Acquisition Corp., a company controlled by Jerry Zucker, of North Carolina.

The holding company, HBC, runs the Bay department stores, Zellers Inc. and several specialty chains. The offer puts a value of $1.1 billion on the company.

The HBC board in a November 25 circular to shareholders states that the offer "does not reflect the underlying value" of the company's business. David Galloway, who is chairing a special committee of the HBC board established to consider the bid and other options, is reported to have said that if Zucker wanted to purchase the company he was going to have to make a higher offer.

Galloway indicated that there were several parties interested in the company's assets and that the committee was "working hard to make sure there are competing bidders in the process."

In its circular the board lists the company's attributes that it feels dictate a substantially higher value for HBC's stock price. It cites the company's prime real estate assets across Canada, a large number of leased properties enjoying rents at less than half going rates, its long-term contract with Canada's Olympic team, the value of its credit operation, the growth profile of its Home Outfitters division and the prospects for its new Designer Depot division.

The HBC board says the offer does not give shareholders a sufficiently high change-of-control premium. It refers to recent transactions where prominent buyers paid a 0.7 multiple of prior 12-month revenues, compared with the 0.2 rate the Zucker offer represents. It also points out the Zucker offer is only 8.9% above the average price of the stock during the preceding month. Recent transactions showed an average 16.3% premium.

HBC shareholders have been told that the board has written opinions from financial advisers BMO Nesbitt Burns Inc. and Goldman Sachs & Co. that describe the Zucker offer as "inadequate."

The advisers apparently were not asked to develop their own valuations. Galloway said: "We have looked at a number of ways of valuing the assets, but we are in the middle of an auction and the value is in the eye of the beholder."

On November 24 HBC announced another disappointing quarter: Both sales and profits were off year over year. HBC indicates that it is going ahead with a deal to set up a cobranded credit card with a Canadian chartered bank. That bank is to have a right of first refusal to match any offer received for HBC's credit business. If the credit business is sold to another bidder the bank is to receive a $50 million fee. The Zucker offer expires December 29.

David Jones Eyes 12 Myer Stores

MELBOURNE, Australia — High-end retailer David Jones has shown interest in purchasing as many as 12 of Coles Myer Ltd.'s Myer department stores.

David Jones chief executive Mark McInnes says the retailer is actively seeking a partner to enter a joint bid for the stores. He says the company is interested in Myer units where David Jones lacks a presence. Bidders for Myer outlets include such private equity firms as JPMorgan Capital and Kohlberg Kravis Roberts & Co. Other prospective buyers include South African retailers Truworths and Edgars Consolidated.

Former Coles Myer chairman Solomon Lew is believed to be mulling a stand-alone bid for the 61-store chain or an offer in conjunction with a private equity firm.

Cencosud to Grow in Argentina

SANTIAGO, Chile — Chilean retailer Cencosud will bring its Almacenes Paris banner to Argentina next year.

Cencosud, which owns supermarkets, shopping malls and home-improvement stores in Chile and neighboring Argentina, purchased Almacenes Paris, Chile's No. 3 department store chain, last March.

The announcement of the opening across the border raised concern among some investors because it followed an accusation by Argentine president Nestor Kirchner that Cencosud's Jumbo supermarket chain was part of a cartel gouging consumers.

Kirchner also denounced Cencosud president Horst Paulmann for predicting a favorable ruling in a legal dispute over the company's acquisition of Disco supermarkets. Cencosud agreed in March to purchase the Disco units in Argentina from Ahold for $315 million, but the deal has been snagged by antitrust issues.

Paulmann responded that he was just expressing optimism about the upcoming ruling. A company statement said Cencosud shared Kirchner's concerns over inflation.

Cencosud's planned opening in Argentina comes as Kirchner is seeking investment in the country during a third straight year of robust expansion following a 2001/2002 crisis.