

# Private Company Overview

Published by INFORMATION CLEARINGHOUSE INCORPORATED  
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## ASSOCIATED WHOLESALE GROCERS, INC.

www.awginc.com



### Key Personnel

#### Executive Officers

Chairman  
President & CEO:  
EVP & CFO:

**Bob Hufford**  
**Jerry Garland**  
**Robert C. Walker**

COO:

**Michael Rand**

### General Information

Headquarters: **5000 Kansas Ave.  
Kansas City, KS 66106**

Telephone: **(913) 288-1000**

Fax: **(913) 288-1587**

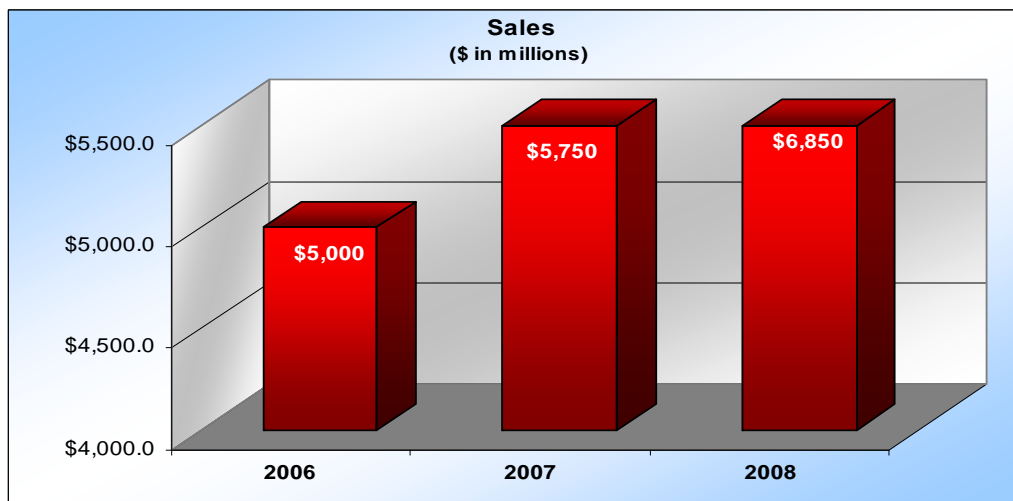
Business Type: **Wholesale Food Distributor**

Annual Sales: **Approximately \$6.85 billion**

Market Areas Served: **23 Mid Western States**

Operations: **2,364 stores (1,785 members) serviced through eight distribution centers. 76 Homeland Stores, United, & Country Mart stores in Oklahoma, one Homeland in Kansas**

Associated Wholesale Grocers' sales remained strong in 2008, increasing nearly 20%, as a result of a mix of growth from existing stores and new members. Private label sales were also strong and grew 27%. 2008 marked the first full year of operations since the Company acquired Albertson's Ft. Worth distribution center. However, market share in Dallas-Ft. Worth fell sharply (see market share chart on page 2) as customer Minyard's sold 37 stores to The Grocers Supply Co., Inc. Albertson's also has continued to close stores, although its management has recently commented that it remains committed to the Dallas Ft-Worth market, and is making strategic investments including store remodels. In May 2009, the Company entered into an agreement to purchase certain assets of Affiliated Foods Southwest, Inc., DIP, (AFS) and has begun servicing many of the stores formerly supplied by AFS immediately. Further, the Company said it is looking to expand in areas contiguous with its current operating regions, after doubling in size over the past decade. With operations performing well, the Company returned \$420.4 million to members including patronage dividends, interest, and promotional allowances. Cash flow is expected to be strong, and capital spending pared following completion of a new DC in Oklahoma City. We estimate the Company continues to maintain a strong balance sheet. [Michael Blackburn](#), Asst. Vice President. (800) 789-0123 ext. 131.



## US MARKET SHARE:

The following chart illustrates the Company's market share in its primary operating regions.

Selected Market Competition					
	Dec. of 2008			Dec. of 2007	
	No. of Stores	Market Share		No. of Stores	Market Share
<b>Dallas-Fort. Worth, TX</b> (population: 6,366,000)			<b>Dallas-Fort. Worth, TX</b> (population: 6,221,000)		
Wal-Mart	93	27.5%	Wal-Mart	91	25.0%
Kroger	78	14.6%	<b>Associated Grocers</b>	<b>128</b>	<b>18.0%</b>
<b>Associated Grocers</b>	<b>80</b>	<b>11.7%</b>	Kroger	79	13.9%
Safeway	61	11.7%	Safeway	61	11.4%
Grocers Supply	183	8.2%	Grocers Supply	126	6.6%
All Other	458	26.3%	All Other	520	25.1%
<b>Oklahoma City, OK</b> (population: 1,206,600)			<b>Oklahoma City, OK</b> (population: 1,183,500)		
<b>Associated Grocers</b>	<b>105</b>	<b>40.1%</b>	<b>Associated Grocers</b>	<b>104</b>	<b>42.1%</b>
Wal-Mart	30	40.0%	Wal-Mart	30	39.2%
Sam's Club	5	5.9%	Sam's Club	5	6.3%
Target	3	3.2%	Target	3	3.4%
Aldi	6	1.2%	Aldi	6	1.3%
All Other	161	9.6%	All Other	149	7.7%
<b>Kansas City, KS-MO</b> (population: 2,018,000)			<b>Kansas City, KS-MO</b> (population: 2,000,500)		
<b>Associated Grocers</b>	<b>146</b>	<b>44.6%</b>	<b>Associated Grocers</b>	<b>139</b>	<b>44.9%</b>
Wal-Mart	23	21.3%	Wal-Mart	22	18.6%
Hy-Vee	21	12.4%	Hy-Vee	21	12.9%
Costco	4	7.0%	Costco	4	6.9%
Target	6	3.8%	Target	6	4.1%
All Other	75	10.9%	All Other	75	12.6%
<b>St. Louis, MO</b> (population: 2,844,000)			<b>St. Louis, MO</b> (population: 2,835,400)		
Supervalu	122	38.2%	Supervalu	115	38.8%
Schnuck Markets	65	28.6%	Schnuck Markets	63	30.0%
Wal-Mart	22	16.2%	Wal-Mart	19	13.7%
Sam's Club	8	4.4%	Sam's Club	8	4.8%
<b>Associated Grocers</b>	<b>36</b>	<b>3.4%</b>	<b>Associated Grocers</b>	<b>22</b>	<b>3.1%</b>
All Other	90	9.2%	All Other	90	9.6%
<b>Nashville, TN</b> (population: 1,526,000)			<b>Nashville, TN</b> (population: 1,463,200)		
Kroger	46	29.3%	Kroger	44	29.5%
Wal-Mart	19	21.7%	Wal-Mart	20	22.4%
Publix	23	15.0%	Publix	19	13.6%
<b>Associated Grocers</b>	<b>63</b>	<b>8.4%</b>	<b>Associated Grocers</b>	<b>55</b>	<b>8.2%</b>
Food Lion	20	6.7%	Food Lion	20	7.4%
All Other	38	18.9%	All Other	40	18.9%

Market share data provided by Metro Market Studies, PO Box 32398, Tucson, AZ 85751. Further information available at [www.metromarketstudies.com](http://www.metromarketstudies.com).

## WHAT'S HAPPENING?

- **New CEO.** In March 2009, Associated Wholesale Grocers announced Gary Phillips, president and CEO, is retiring after 35 years of service, and was replaced by Jerry Garland. Mike Rand has been named new COO. An 18-year Company veteran, Garland has held many senior management positions, most recently as EVP/merchandising. He has also served as SVP and division manager for two of AWG's six grocery distribution facilities. Prior to joining the Company in 1991, Garland spent 24 years at Kroger in Dallas.
- **Affiliated Foods Southwest, DIP, Acquisition.** In May 2009, the Company agreed to acquired certain assets of Affiliated Foods Southwest, DIP, (AFS) including: purchased inventory at the AFS warehouse, RORC rights (meaning rights in and to certain software, data files and hardware used in operation of point-of-sale and ordering systems used and licensed by certain AFS retailers), and designation rights (the right to direct AFS to assume or reject supply agreements, the Lafayette [warehouse] lease and RORC Rights). The purchase price for inventory was estimated to be a minimum of \$9.0 million. The purchase may be increased due to the Company obtaining designation rights and the customer relationships with current or former AFS retailers.
- **Acquisitions/Divestitures.** On January 25, 2008, Associated Wholesale Grocers agreed to acquire the stock of United Super Markets of Oklahoma. United operates 26 stores in Oklahoma, averaging 25,000 square feet. The United stores were previously supplied by Affiliated Foods Southwest. In January 2008, the Company announced it would purchase four Dillons stores in Kansas City and would immediately sell these stores to current coop members. The Company also announced it would sell seven Homeland stores to Dillons. In November 2008, HAC, Inc. purchased five William's stores in Oklahoma City. In August 2007, the Company acquired a distribution center in Ft. Worth TX from Albertson's LLC. The Company also entered into a five-year supply agreement for service by the distribution center to Albertson's stores operating in its Dallas-Ft. Worth division. Additionally, Albertson's sold 23 stores in Oklahoma to four AWG member retailers; Homeland, Inc. (7), Reasor's, Inc. (1), RPCS, Inc. (9) and Williams Discount Foods (6). The seven stores sold to Homeland had a purchase price of \$23.2 million. The Oklahoma store acquisitions added over \$400.0 million in annual retail sales.
- **Patronage.** Essentially all income from cooperative operations is returned to members in the form of year-end patronage. The Company currently pays out 60% of dividends in cash and the balance in patronage certificates that bear interest. Patronage declared during 2008 totaled \$136.1 million compared to \$110.1 million in the prior year. In addition, during fiscal 2008, the Company redeemed two additional years of patronage certificates, totaling \$43.0 million. The Company's board of directors also voted to accelerate the remaining patronage certificates by two years, making them redeemable in five years versus the original seven-year issue.
- **Stock Dividend.** In 2009, the Company declared a 2-for-1 stock dividend for every share of A and B class stock.

## BANKING & LIEN INFORMATION:

- AWG maintains unsecured revolving credit facilities totaling \$225.0 million and \$75.0 million with Bank of America and UMB Bank, respectively. The Bank of America agreement matures in December 2011 and the UMB Bank agreement matures in June 2010.
- Various UCCs filed for leased equipment.
- There are currently no tax liens or material lawsuits pending against Associated Wholesale Grocers.

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