

Safeway Inc (SWY)

Price:	\$23.39	Net Tang. Bk Value Incl. Cash (NTBVIC):	\$2,538,400,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$4,198,000,198.81
Market Cap:	\$5,552,786,000	NTBVIC/Market Downside Recovery:	45.71%	Avg. Year FCF/Share:	\$500,706,176.30
Cash:	\$295,000,000	Op. Cash Flow:	\$1,465,837,745	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$6,172,200,000	Implied Years to Fill Gap:	2.06	Year 5 Disposition Price:	\$5,700,118,727.69
Net Cash:	-\$5,877,200,000	Today's Equity if 5x Op. CF:	\$6,935,913,235	Net Tang. Book+ Gain Disposition:	\$5,700,118,727.69
Enterprise Value:	\$11,429,986,000	IRR:			0.53%
Shares Outstanding:	237,400,000			Price:	\$24.01
				Target Market Cap:	\$5,700,118,728
				Target Enterprise Value:	\$11,577,318,728

* Our future intrinsic value measures the total return, which includes both capital appreciation and dividend income.

I've only visited a Safeway store a couple times when I visited the SF area in college, but I have heard a lot about this supermarket chain, in particular from investors.

We love the Co.'s focus on improving existing stores, closing down underperforming stores, and investing 70% of annual operating cashflow into this core operation, while repurchasing shares and paying out a respectable 3.85% dividend with the remaining cashflow. We also love management's philosophy in developing their private label items. The Co. owns their own dairy, soda plants and bakeries. They have a stronger control on the product chain by integrating more of their merchandise production into the business, like Trader Joes. We also like the low goodwill balance, which reveals a strong, operational discipline to grow with minimal acquisition to lead growth. SSS is at 1-2% in the past couple of years, even after their remodeling program initiated in 2010 and gross margins have been steadily declining.

We don't like the leverage at 2x D/E, although the EBITDA/Interest coverage was at 7.93x, and an interest expense at around 5%. We feel it is better use of capital to pay down debt, rather than paying for equity at 1.85x P/Book value. Granted, in 2012 the interest cost for new debt issuance was at historic lows, so in their 2012 10K the management mentioned they borrowed debt to repurchase shares. Value managers such as Warren Buffett only repurchases stock when the price falls below the book value. We are not sure why Safeway is so eager to repurchase shares. Maybe for a well run Co. like Safeway, the P/Book value will never fall below 1x, so they thought the current prices were a good trigger point. Come 2014, \$1.17 BB in debt will mature with an interest expense at 4.8%, which is high and 2017, \$501MM at 6.35%. If there are no special covenants preventing an early maturity of the debt, we would like management to pay down these particular debt pieces first. It seems as if the Co. grew from leverage, but we can see the \$9BB treasury stock balance, which is double the current outstanding debt balance.

We believe the Co. is a truly outstanding business, with strong cash flow. However, we will not invest in the stock since it is price appropriately at the present and we want to stay away from businesses that have a strong union in light of Albertson's union strike and other unionized businesses which bleed cash.

Year	Present Value	Holding Period					Terminal Value			Sale Price
	0	1	2	3	4	5	6	7	8	TBV at Year 5 + 3 Years FCF
Tangible Book Value	2,538.40	2,858.59	3,184.59	3,516.46	3,854.24	4,198.00				4,198.00
Annual Change		320.19	326.00	331.86	337.78	343.76				
Annual FCF	642.10	465.84	483.10	500.53	518.14	535.92	500.71	500.71	500.71	1,502.12
Annual Op. Cash Flow	1,569.70	1,465.84	1,483.10	1,500.53	1,518.14	1,535.92	1,500.71	1,500.71	1,500.71	
Annual PP&E Investment	(927.60)	(1,000.00)	(1,000.00)	(1,000.00)	(1,000.00)	(1,000.00)	(1,000.00)	(1,000.00)	(1,000.00)	
Today's Tangible Book Value	2,538.40	2,984.18	3,508.24	4,124.34	4,848.63	5,700.12				5,700.12
Intrinsic Value IRR	17.56%									
Market Price	5,552.79	5,581.94	5,611.26	5,640.72	5,670.34	5,700.12				5,700.12
Market Price IRR	0.53%									

Debt	0.00%	0.00
Equity	100.00%	5,552.79
Total	100.00%	5,552.79

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	3007.3	5,552.79	5,910.31	6,273.64	6,642.84	7,017.95	7,399.05			
Goodwill	468.9	3,014.39	3,014.39	3,014.39	3,014.39	3,014.39	3,014.39			
Debt	4899	4,899.00	4,899.00	4,899.00	4,899.00	4,899.00	4,899.00			4,899.00
Debt Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%			
Additional Interest Expense		-57.43	-57.43	-57.43	-57.43	-57.43				
Tangible Book Value	2538.4	2,538.40	2,895.93	3,259.26	3,628.45	4,003.57	4,384.66			4,384.66
Annual Change			357.53	363.33	369.19	375.11	381.09			
Annual FCF	642.10		503.17	520.43	537.86	555.47	573.26	573.26	573.26	1,719.77
Annual Net Income	564.60		357.53	363.33	369.19	375.11	381.09	381.09	381.09	
Annual Op. Cash Flow	1,569.70		1,503.17	1,520.43	1,537.86	1,555.47	1,573.26	1,573.26	1,573.26	
Dividend Payments										
Annual PP&E Investment	(927.60)		(1,000.00)	(1,000.00)	(1,000.00)	(1,000.00)	(1,000.00)	(1,000.00)	(1,000.00)	
Debt Paydown	0.00						0.00	0.00	0.00	

Sale Price in Year 5										6,104.43
Remaining Debt Balance										0.00
Capital Left for Equity Investor										6,104.43
Dividend Payments										0.00
Total Cash In Flow										6,104.43

Invested Equity	5,552.79	5,658.97	5,767.19	5,877.48	5,989.88	6,104.43
IRR	1.91%					

Value Losers	
Interest payments to Bank	-229.74
Goodwill Premium to Original Sellers	2,545.49
Debt Paydown to Bank	
Debt Increase	
Total Value Losers	2,315.75

Value Gap between LBO and unleveraged (404.31)

Unaccounted Value Losers (2,720.06)

Safeway Inc. (Safeway) is a food and drug retailer in North America. As of December 29, 2012, the Company had 1,641 stores. The Company's United States retail operations are located principally in California, Hawaii, Oregon, Washington, Alaska, Colorado, Arizona, Texas, the Chicago metropolitan area and the Mid-Atlantic region. Safeway's Canadian retail operations are located principally in British Columbia, Alberta and Manitoba/Saskatchewan. In support of its retail operations, the Company has a network of distribution, manufacturing and food-processing facilities. Safeway owns and operates GroceryWorks.com Operating Company, LLC (GroceryWorks), an online grocery channel doing business under the names Safeway.com and Vons.com (collectively Safeway.com). In July 2012, Pope Resources, A Delaware Limited Partnership sold its headquarters building in Poulsbo, Washington to Safeway, Inc.

Company Name:		Safeway Inc			Income Statement		
Ticker Symbol:	SWY	Market Capitalization:	\$5,552,786,000.00	Revenue:	\$44,200,000,000.00	100.0%	
Last Price:	\$23.39	Total Debt:	\$6,172,200,000.00	Cost of Goods Sold:	\$32,480,000,000.00	73.5%	
Net Cash/Share:	-\$24.76	Total Cash:	\$295,000,000.00	Gross Profit:	\$11,720,000,000.00	26.5%	
Net Cash to z	-105.84%	Net Cash/(Debt):	-\$5,877,200,000.00	EBITDA:	\$2,210,000,000.00	5.0%	
Shares Outstanding:	237,400,000	Enterprise Value:	\$11,429,986,000.00	Net Income:	\$596,100,000.00	1.3%	
Industry:	Grocery Stores	Current EV/Share:	\$48.15				
Sector:	Consumer Defensive	EBITDA:	\$2,238,400,000.00	Balance Sheet			
		EV/EBITDA Multiple:	5.11	Cash:	\$295,000,000.00		
Institutional Ownership:	#VALUE!	EV/EBITDA Multiple Average Year 1-5:	5.50	Short Term Investment:	\$0.00		
Mutual Fund Ownership:	2.01%	EV/FCF Multiple (excluding acquisition):	17.80	A/R:	\$592,000,000.00		
Insider Ownership:	1.12%	EV/FCF Multiple Average Year 1-5 (excluding acquisition):	22.83	PP&E:	\$9,068,000,000.00		
Retail Ownership:	#VALUE!	Upper Range				Assets:	\$14,442,000,000.00
Float:	98.88%	DCF: EV/EBITDA Terminal Value				A/P:	\$2,389,000,000.00
		Implied TV from 3 X EV/EBITDA Multiple	\$2,787,688,546.78	Deferred Tax:	\$187,400,000.00		
		Enterprise Value	\$2,787,688,546.78	Other Liabilities:	\$2,704,200,000.00		
		Cash at Year 5:	\$2,798,530,881.48	Short term Debt:	\$870,800,000.00		
		Debt at Year 5:	\$6,172,200,000.00	Long Term Debt:	\$5,301,400,000.00		
		Equity Value Year 5:	-\$585,980,571.74	Liabilities:	\$11,452,800,000.00		
		Equity/Share at Year 5:	-\$2.47	Retained Earnings:	\$7,686,000,000.00		
		Annualized Return:	-163.78%	Paid-In Capital:	\$4,523,100,000.00		
		Lower Range				Treasury Stock:	-\$9,128,000,000.00
		DCF: Net Tangible Asset excluding Cash/Debt Terminal Value				Stockholder's Equity:	\$3,007,300,000.00
		Year 5 Net Tangible Assets excluding cash and debt	\$7,521,800,000.00	Cash Flow			
		Enterprise Value	\$7,521,800,000.00	Net Income:	598,100,000.00		
		Cash at Year 5:	\$2,798,530,881.48	Depreciation/Amortization:	1,134,300,000.00		
		Debt at Year 5:	\$6,172,200,000.00	Change in Working capital:	-149,600,000.00		
		Equity Value Year 5:	\$4,148,130,881.48	Cash from Operating Activities:	1,569,700,000.00		
		Equity/Share at Year 5:	\$17.47	Capital Expenditures:	-927,600,000.00		
		Annualized Return:	-5.67%	Cash from Investing Activities:	-572,000,000.00		
		EVA				Total Cash Dividends Paid:	-163,900,000.00
		EVA today:	\$3,064,881,803.19	Issuance (Retirement) of Stock:	-1,270,700,000.00		
		EVA in 5 Years:	\$8,771,624,957.76	Issuance (Retirement) of Debt:	73,000,000.00		
		EVA/Share:	\$36.95	Cash from Financing Activities:	-1,373,800,000.00		
		Cash at Year 5:	\$2,798,530,881.48	Profitability Margins			
		Debt at Year 5:	\$6,172,200,000.00	Debt to Equity:	205.24%		
		Equity Value Year 5:	\$5,397,955,839.24	Return on Assets:	3.91%		
		Equity/Share at Year 5:	\$22.74	Return on Capital:	6.15%		
		Annualized return	23.41%	Return on Equity:	18.77%		
		Current Net Tangible Asset					
		Net Tangible Asset/Share:	\$10.62				
		Net Tangible Asset/Share in Year 5:	\$17.61				
		Annualized return	10.65%				
		Current Equity Price:	\$23.39				
		Selling at Discount?	Premium				
		Appreciation Potential:	-54.61%				
		Dividend Model					
		Next Year Dividend	\$214,215,969.55				
		WACC:	7.59%				
		Dividend:	\$189,920,000.00				
		Net Income:	\$596,100,000.00				

Technicals

52 week low:	\$14.73
Today from 52 week low:	58.79%
52 week high:	\$28.42
Today from 52 week high:	21.50%
50 day Moving Average:	\$25.15
200 day Moving Average:	\$19.70

Analyst/Consensus

Analyst Sales Growth FY1:	1.30%
Analyst Sales Growth FY2:	2.90%
SN Valuation Estimate FY1:	1.00%
SN Valuation Estimate FY2:	1.00%

Analyst Earnings Estimate FY1:	\$2.32
Analyst Earnings Estimate FY2:	\$2.41
SN Valuation Earnings Est. FY1:	\$1.35
SN Valuation Earnings Est. FY2:	\$1.37

Multiples

Market Value to Book:	1.85
EV to Book:	3.80
Market Value to Tangible Net Assets:	2.85
P/E Ratio:	9.32
Trailing P/E Ratio:	8.68
Forward P/E Ratio:	9.62
Beta:	0.76
Dividend:	0.8
Dividend Yield:	3.45%
Dividend Date:	Jul 10, 2013
Ex-Dividend Date:	Jun 18, 2013

Competitors

Average EV to EBITDA:	N/A
Company EV to EBITDA:	5.11
Average EV to EBIT:	N/A
Company EV to EBITA:	10.35

SN VALUATION

LBO Pro Forma Income Statement

Name:

Safeway Inc

Ticker:

SWY

	Historical				Forecasted				
	52 weeks ending 2010-01-02	52 weeks ending 2011-01-01	52 weeks ending 2011-12-31	52 weeks ending 2012-12-29	2013	2014	2015	2016	2017
Revenue	40,850.70	41,050.00	43,630.20	44,206.50	44,648.57	45,095.05	45,546.00	46,001.46	46,461.48
COGS	29,157.20	29,442.50	31,836.50	32,486.50	33,039.94	33,370.34	33,704.04	34,041.08	34,381.49
Gross margin	11,693.50	11,607.50	11,793.70	11,720.00	11,608.63	11,724.71	11,841.96	11,960.38	12,079.98
SG&A	10,348.00	10,448.10	10,659.10	10,615.90	10,715.66	10,822.51	10,931.04	11,040.35	11,150.75
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	1,974.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Excluded from COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	-628.70	1,159.40	1,134.60	1,104.10	892.97	901.90	910.92	920.03	929.23
Interest income/(expense)	-331.70	-298.50	-272.20	-286.50	-400.36	-400.36	-400.36	-400.36	-400.36
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	7.10	20.30	19.70	10.80	0.00	0.00	0.00	0.00	0.00
Income before tax	-953.30	881.20	882.10	828.40	492.61	501.54	510.56	519.67	528.87
Tax	144.20	290.60	363.90	262.20	172.41	175.54	178.69	181.88	185.10
Income after tax	-1,097.50	590.60	518.20	566.20	320.19	326.00	331.86	337.78	343.76
Minority Interest	0.00	-0.80	-1.50	-1.60	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	-1,097.50	589.80	516.70	564.60	320.19	326.00	331.86	337.78	343.76
*Figures are in millions (\$)									
EPS (based off today's share count)	-\$4.62	\$2.48	\$2.18	\$2.38	\$1.35	\$1.37	\$1.40	\$1.42	\$1.45
P/E (historical today's price; forecasted intrinsic price)	-5.06	9.41	10.75	9.83	17.43	17.21	17.00	16.79	16.58
Revenue Growth	N/A	0.49%	6.29%	1.32%	1.00%	1.00%	1.00%	1.00%	1.00%
Tax Rate	-15.13%	32.88%	41.25%	31.65%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-6.77%	-6.17%	-5.03%	-5.14%	-8.17%	-8.17%	-8.17%	-8.17%	-8.17%
Margins									
COGS	71.38%	71.72%	72.97%	73.49%	74.00%	74.00%	74.00%	74.00%	74.00%
Gross margin	28.62%	28.28%	27.03%	26.51%	26.00%	26.00%	26.00%	26.00%	26.00%
SG&A	25.33%	25.45%	24.43%	24.01%	24.00%	24.00%	24.00%	24.00%	24.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	4.83%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Excluded from COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	-1.54%	2.82%	2.60%	2.50%	2.00%	2.00%	2.00%	2.00%	2.00%
Interest income/(expense)	-0.81%	-0.73%	-0.62%	-0.65%	-0.90%	-0.89%	-0.88%	-0.87%	-0.86%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.02%	0.05%	0.05%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	-2.33%	2.15%	2.02%	1.87%	1.10%	1.11%	1.12%	1.13%	1.14%
Tax	0.35%	0.71%	0.83%	0.59%	0.39%	0.39%	0.39%	0.40%	0.40%
Income after tax	-2.69%	1.44%	1.19%	1.28%	0.72%	0.73%	0.74%	0.76%	0.77%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	-2.69%	1.44%	1.18%	1.28%	0.72%	0.72%	0.73%	0.73%	0.74%

						Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2010-01-02	As of 2011-01-01	As of 2011-12-31	As of 2012-12-29	As of 2013-03-23	+	-						
Cash	471.50	778.80	729.40	352.20	295.00			295.00	760.84	1,243.94	1,744.47	2,262.61	2,798.53
Short term investment	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	471.50	778.80	729.40	352.20	295.00			295.00	760.84	1,243.94	1,744.47	2,262.61	2,798.53
Accounts Receivable	522.40	557.40	652.10	909.00	592.00			592.00	592.00	592.00	592.00	592.00	592.00
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	522.40	557.40	652.10	909.00	592.00			592.00	592.00	592.00	592.00	592.00	592.00
Total Inventory	2,508.90	2,623.40	2,469.60	2,562.00	2,885.00			2,885.00	2,885.00	2,885.00	2,885.00	2,885.00	2,885.00
Prepaid Expenses	322.50	273.40	335.70	344.70	434.90			434.90	434.90	434.90	434.90	434.90	434.90
Other Current Assets	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current Assets	3,825.30	4,233.00	4,186.80	4,167.90	4,206.90	0.00	0.00	4,206.90	4,672.74	5,155.84	5,656.37	6,174.51	6,710.43
PP&E, Gross	20,248.00	20,233.40	20,377.90	20,783.60	20,783.00			20,783.00	21,783.00	22,783.00	23,783.00	24,783.00	25,783.00
Change in Depreciation	1,171.20	1,162.40	1,148.80	1,134.30	1,134.30				1,145.64	1,157.10	1,168.67	1,180.36	1,192.16
Accumulated Depreciation	9,965.30	10,323.20	10,740.30	11,715.10	11,715.00			11,715.00	12,860.64	14,017.74	15,186.41	16,366.77	17,558.93
PP&E, Net	10,282.70	9,910.20	9,637.60	9,068.50	9,068.00			9,068.00	8,922.36	8,765.26	8,596.59	8,416.23	8,224.07
Goodwill	426.60	430.90	469.80	471.50	468.90	0.00		468.90	468.90	468.90	468.90	468.90	468.90
Intangibles	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term investments	169.90	187.20	196.80	191.70	192.20			192.20	192.20	192.20	192.20	192.20	192.20
Other long term assets	259.10	386.80	582.60	601.30	506.00			506.00	506.00	506.00	506.00	506.00	506.00
Long Term Assets	11,138.30	10,915.10	10,886.80	10,333.00	10,235.10	0.00	0.00	10,235.10	10,089.46	9,932.36	9,763.69	9,583.33	9,391.17
Total Assets	14,963.60	15,148.10	15,073.60	14,500.90	14,442.00	0.00	0.00	14,442.00	14,762.19	15,088.19	15,420.06	15,757.84	16,101.60
Accounts Payable	2,458.90	2,533.40	2,917.00	3,125.00	2,389.00			2,389.00	2,389.00	2,389.00	2,389.00	2,389.00	2,389.00
Accrued Expense	1,135.00	1,148.20	1,176.80	1,104.70	1,085.00			1,085.00	1,085.00	1,085.00	1,085.00	1,085.00	1,085.00
Other current Liabilities	103.10	96.30	77.80	45.70	45.70			45.70	45.70	45.70	45.70	45.70	45.70
Total Current Liabilities	3,697.00	3,779.90	4,171.60	4,275.40	3,519.70	0.00	0.00	3,519.70	3,519.70	3,519.70	3,519.70	3,519.70	3,519.70
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	540.80	536.30	840.50	330.20	870.80			870.80	870.80	870.80	870.80	870.80	870.80
Long term Debt	3,874.30	3,843.80	4,165.00	4,831.90	4,899.00	0.00	0.00	4,899.00	4,899.00	4,899.00	4,899.00	4,899.00	4,899.00
Capital Lease Obligations	486.60	456.20	404.70	411.60	402.40			402.40	402.40	402.40	402.40	402.40	402.40
Total Interest Earning Debt	4,901.70	4,836.30	5,410.20	5,573.70	6,172.20	0.00	0.00	6,172.20	6,172.20	6,172.20	6,172.20	6,172.20	6,172.20
Deferred Income tax	150.50	153.50	141.90	178.50	187.40			187.40	187.40	187.40	187.40	187.40	187.40
Minority Interest	0.00	4.40	6.00	5.50	5.30			5.30	5.30	5.30	5.30	5.30	5.30
Other liabilities	1,268.00	1,382.70	1,634.60	1,696.00	1,568.20			1,568.20	1,568.20	1,568.20	1,568.20	1,568.20	1,568.20
Total Liabilities	10,017.20	10,154.80	11,364.30	11,729.10	11,452.80	0.00	0.00	11,452.80	11,452.80	11,452.80	11,452.80	11,452.80	11,452.80
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	5.90	6.00	6.00	6.10	6.10		0.00	6.10	6.10	6.10	6.10	6.10	6.10
Additional Paid-in capital	4,212.40	4,363.10	4,463.90	4,505.60	4,517.00	0.00	0.00	4,517.00	4,517.00	4,517.00	4,517.00	4,517.00	4,517.00
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	6,403.70	6,820.00	7,175.30	7,609.80	7,686.00		0.00	7,686.00	8,006.19	8,332.19	8,664.06	9,001.84	9,345.60
Treasury Stock	-5,661.80	-6,283.80	-7,874.40	-9,119.80	-9,128.00		0.00	-9,128.00	-9,128.00	-9,128.00	-9,128.00	-9,128.00	-9,128.00
Other Equity	-13.80	88.00	-61.50	-73.80	-73.80		0.00	-73.80	-73.80	-73.80	-73.80	-73.80	-73.80
Total Equity	4,946.40	4,993.30	3,709.30	2,927.90	3,007.30	0.00	0.00	3,007.30	3,327.49	3,653.49	3,985.36	4,323.14	4,666.90
Liability + Equity	14,963.60	15,148.10	15,073.60	14,657.00	14,460.10	0.00	0.00	14,460.10	14,780.29	15,106.29	15,438.16	15,775.94	16,119.70
Variance	0.00	0.00	0.00	-156.10	-18.10			-18.10	-18.10	-18.10	-18.10	-18.10	-18.10
Debt/Equity	0.99	0.97	1.46	1.90	2.05			2.05	1.85	1.69	1.55	1.43	1.32
Inventory Turnover	16.28	15.65	17.67	17.25	15.48			15.32	15.48	15.63	15.79	15.95	16.10
Inventory Turnover Days	22.42	23.33	20.66	21.15	23.58			23.82	23.58	23.35	23.12	22.89	22.66
Days Inventory Outstanding	31.41	32.52	28.31	28.79	31.87			32.41	31.87	31.56	31.24	30.93	30.63
Accounts Receivable Turnover	78.20	73.65	66.91	48.63	75.42			74.67	75.42	76.17	76.94	77.71	78.48
Accounts Receivable Turnover Days	4.67	4.96	5.46	7.51	4.84			4.89	4.84	4.79	4.74	4.70	4.65
Days Payable Outstanding	30.78	31.41	33.44	35.11	26.39			26.84	26.39	26.13	25.87	25.62	25.36
Days Sales Outstanding	4.67	4.96	5.46	7.51	4.84			7.51	4.89	4.84	4.79	4.74	4.70
Cash Conversion Cycle	5.29	6.07	0.33	1.18	10.32			13.08	10.37	10.26	10.16	10.06	9.96
Net tangible assets/share	\$19.04	\$19.22	\$13.65	\$9.69	\$10.62				\$11.97	\$13.34	\$14.74	\$16.16	\$17.61

SN VALUATION

LBO Adjusted Proforma Cash Flow

Ticker:

SWY

	52 weeks ending 2010-01-02	52 weeks ending 2011-01-01	52 weeks ending 2011-12-31	52 weeks ending 2012-12-29	2011	2012	2013	2014	2015
Net Income	-1,097.50	590.60	518.20	598.10	320.19	326.00	331.86	337.78	343.76
Depreciation	1,171.20	1,162.40	1,148.80	1,134.30	1,145.64	1,157.10	1,168.67	1,180.36	1,192.16
Net Income + Depreciation	73.70	1,753.00	1,667.00	1,732.40	1,465.84	1,483.10	1,500.53	1,518.14	1,535.92
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	-142.10	-31.30	-63.70	-36.00	0.00	0.00	0.00	0.00	0.00
Non Cash Items	2,191.40	196.70	36.00	22.90	0.00	0.00	0.00	0.00	0.00
Change in Working capital	426.70	-68.70	384.30	-149.60	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-35.00	-94.70	-256.90	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	-114.50	153.80	-92.40	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	49.10	-62.30	-9.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	74.50	383.60	208.00	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	2,549.70	1,849.70	2,023.60	1,569.70	1,465.84	1,483.10	1,500.53	1,518.14	1,535.92
Capital Expenditures Expenditures	-851.60	-837.50	-1,094.70	-927.60	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-37.40	38.70	80.20	355.60	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-889.00	-798.80	-1,014.50	-572.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00	-1,000.00
Financing Cash flow items	8.60	-11.20	-17.80	-12.20	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-153.10	-168.10	-188.00	-163.90	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-856.30	-504.00	-1,480.60	-1,270.70	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	-599.50	-84.80	609.10	73.00	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	-1,600.30	-768.10	-1,077.30	-1,373.80	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	28.30	24.50	18.80	-1.10	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	382.80	471.50	778.80	729.40	295.00	760.84	1,243.94	1,744.47	2,262.61
Net Change in Cash	88.70	307.30	-49.40	-377.20	465.84	483.10	500.53	518.14	535.92
Ending Cash Balance	471.50	778.80	729.40	352.20	760.84	1,243.94	1,744.47	2,262.61	2,798.53
Capex to Revenue	2.08%	2.04%	2.51%	2.10%	2.24%	2.22%	2.20%	2.17%	2.15%
Depreciation to Sales	2.87%	2.83%	2.63%	2.57%	2.57%	2.57%	2.57%	2.57%	2.57%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	1.28%	1.36%	1.49%	2.06%	2.04%	2.02%	2.00%	1.98%	1.96%
Distributable FCF/EV Yield	14.53%	9.19%	8.83%	8.73%	4.08%	4.23%	4.38%	4.53%	4.69%
Dividend Yield	-2.76%	-3.03%	-3.39%	-2.95%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	1,851.20	1,180.30	1,116.90	806.00	465.84	483.10	500.53	518.14	535.92

SN VALUATION

LBO Debt Schedule

Ticker:

SWY

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	-377.20	465.84	483.10	500.53	518.14	535.92
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	5,769.80	5,769.80	5,769.80	5,769.80	5,769.80	5,769.80
Current Portion Debt Balance	870.80	870.80	870.80	870.80	870.80	870.80
Long Term Debt Balance	4,899.00	4,899.00	4,899.00	4,899.00	4,899.00	4,899.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%
Interest Expense		403.89	403.89	403.89	403.89	403.89
Cash Balance		352.20				
Interest @ 1.0%		3.52	3.52	3.52	3.52	3.52
Net Interest Expense/(Income)		400.36	400.36	400.36	400.36	400.36
Net Interest Rate		8.17%	8.17%	8.17%	8.17%	8.17%
EBITDA		892.97	901.90	910.92	920.03	929.23
EBITDA/Interest Expense Coverage		2.21	2.23	2.26	2.28	2.30

Interest Rate Coverage Table

Debt Rating	2013	2014	2015	2016	2017
AAA					
AA					
A+					
A					
A-					
BBB					
BB+					
BB					
B+					
B	B	B	B	B	B
B-					
CCC					
CC					
C					
D					

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Safeway Inc

Ticker:

SWY

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	128.30	455.10	15.20	687.20	1,153.04	1,636.14	2,136.67	2,654.81	3,190.73
Total Assets	14,963.60	15,148.10	15,073.60	14,442.00	14,762.19	15,088.19	15,420.06	15,757.84	16,101.60
X1	0.01	0.03	0.00	0.05	0.08	0.11	0.14	0.17	0.20
Retained Earnings	6,403.70	6,820.00	7,175.30	7,686.00	8,006.19	8,332.19	8,664.06	9,001.84	9,345.60
Total Assets	14,963.60	15,148.10	15,073.60	14,442.00	14,762.19	15,088.19	15,420.06	15,757.84	16,101.60
X2	0.43	0.45	0.48	0.53	0.54	0.55	0.56	0.57	0.58
EBITDA	-628.70	1,159.40	1,134.60	1,104.10	892.97	901.90	910.92	920.03	929.23
Total Assets	14,963.60	15,148.10	15,073.60	14,442.00	14,762.19	15,088.19	15,420.06	15,757.84	16,101.60
X3	-0.04	0.08	0.08	0.08	0.06	0.06	0.06	0.06	0.06
Market Value of Equity	5,552.79	5,552.79	5,552.79	5,552.79	5,581.94	5,611.26	5,640.72	5,670.34	5,700.12
Total Liabilities	10,017.20	10,154.80	11,364.30	11,452.80	11,452.80	11,452.80	11,452.80	11,452.80	11,452.80
X4	0.55	0.55	0.49	0.48	0.49	0.49	0.49	0.50	0.50
Net Sales	40,850.70	41,050.00	43,630.20	44,206.50	44,648.57	45,095.05	45,546.00	46,001.46	46,461.48
Total Assets	14,963.60	15,148.10	15,073.60	14,442.00	14,762.19	15,088.19	15,420.06	15,757.84	16,101.60
X5	2.73	2.71	2.89	3.06	3.02	2.99	2.95	2.92	2.89
Altman Z Score	3.53	3.96	4.10	4.41	4.37	4.38	4.40	4.41	4.42

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red