

J Sainsbury PLC

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Sainsbury's and Asda may have to sell at least 73 supermarkets, research shows

J Sainsbury plc (LON:SBRY) and Walmart Inc's (NYSE:WMT) Asda may have to sell at least 73 supermarkets for their proposed merger to receive regulatory approval, according to new research.

The companies last month agreed to a £15bn merger to create the UK's biggest supermarket group, taking over the top spot from Tesco PLC (LON:TSCO).

READ: Sainsbury's confirms £15bn Asda merger and dismisses reports stores will close

While the supermarket chains have said there were no plans to close stores, they might have to do so in order to get the go-ahead from the UK Competition and Markets Authority.

The CMA has said it is likely to review the deal to assess whether it could reduce competition and choice for shoppers.

David Haywood, founder of Maximise UK - a specialist in identifying new locations for retail stores - believes at least 6% or 73 of the enlarged group's supermarkets are at risk, excluding convenience stores.

Stores in the south-east and the north-west of England are most under threat, he said.

Haywood, who worked on the takeover of Safeway by Morrisons in 2004, told the BBC: "There hasn't been a retail deal like this in more than a decade".

He added: "The real focus will be on how Sainsbury's and Asda's main supermarkets operate at a local level and how they overlap. The CMA will be concerned about whether the deal reduces the number of competing brands within a 10 or 15 minute drive time."

Analysts also predict store closures

His remarks echo that of some analysts who think the CMA may ask the merged business to dispose of a number of stores to rivals given that the deal could result in store overlaps.

"This merger would create a company (with about 29% market share) to rival Tesco (27% market share) but we would expect a number of store disposals should it be cleared (which is not guaranteed)," HSBC said.

READ: Sainsbury's-Asda tie-up makes economic sense but risks need considering, says HSBC

Maximise UK's estimate takes into account competition from discounters Aldi and Lidl, which have been taking market share from the so-called 'big four' supermarkets - Tesco, Sainsbury's, Asda and WM Morrison Supermarkets PLC (LON:MRW).

However, if the CMA decides to exclude the discounters in its review of the merger, Maximise UK expects the number

Price: 216.4

Market Cap: £4.79 billion

1 Year Share Price Graph



Share Information

Code: SBRY

Listing: LSE

52 week High Low
20130 177.05

Sector: Retail

Website: www.sainsburys.co.uk

Company Synopsis:

J Sainsbury PLC is a United Kingdom-based company principally engaged in grocery and related retailing, and financial services.

action@proactiveinvestors.com

of store disposals to jump to 245.

The CMA has included Aldi and Lidl in previous investigations but has given them a lower weighting in some deals because the discounters did not stock all the same products.

Sainsbury's has said it is confident the CMA will approve the deal with a few restrictions based on the fact that the regulator has recently given the green light to Tesco's takeover of wholesaler Booker.

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Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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