

J Sainsbury PLC

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Sainsbury's and Asda suggest selling up to 150 supermarkets to get CMA approval

J Sainsbury PLC (LON:SBRY) and Walmart Inc's (NYSE:WMT) have agreed to sell up to 150 supermarkets and several convenience stores to convince the UK competition watchdog to approve their proposed merger.

The supermarkets said they could dispose of between 125 and 150 supermarkets along with "a number" of convenience stores to address competition concerns.

READ: Sainsbury's and Asda vow to cut prices by £1bn per year if CMA approves merger

The companies also said they may divest "a sufficient number" of petrol stations.

Sainsbury's and Asda said the proposals "represent a unique opportunity for existing operators to add additional scale or for a new operator to obtain immediate scale".

They added that the divestments were a "proportionate and effective" response to the concerns raised by the UK Competition and Markets Authority (CMA) and accused the regulator of overstating the level of disposals needed.

Last month, the CMA suggested it was leaning towards blocking the merger after provisional findings of its investigation raised "extensive competition concerns".

Concerns included higher food and petrol prices in markets where both companies have supermarkets and petrol stations, as well as reduced quality and choice for customers.

The CMA identified 629 local areas where the merger could result in a "significant lessening of competition", which implied the companies would have to sell about 300 stores.

Sainsbury's and Asda to cut prices

On Tuesday, Sainsbury's and Asda claimed there were "significant errors" in the CMA's findings.

In a bid to save the deal, they vowed to slash prices by £1bn each year by the third year after completing the merger.

The companies will use cost savings from the merger to invest £300m in the first year of the combination and a further £700m over the following two years, which they expect to reduce prices by about 10% on everyday items.

Fair chance proposals won't be enough, says Hargreaves Lansdown

Sophie Lund-Yates, equity analyst at Hargreaves Lansdown, said: "Looking ahead, the CMA has until 30 April to publish its final report. No one can be sure what the outcome will be, but there's a fair chance today's proposals simply won't be enough to convince the watchdog that the merger between Asda and Sainsbury wouldn't create a competition problem.

Price: 216.2

Market Cap: £4.78 billion

1 Year Share Price Graph



October 2018 April 2019 October 2019

Share Information

Code: SBRY

Listing: LSE

52 week	High	Low
	327.2	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.

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"Indeed, should the deal go ahead in its original form, it will create the UK's largest supermarket - a massive partnership by any stretch. Unfortunately for Sainsbury and Asda, they aren't being allowed to forget that with great power comes great responsibility.

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