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- *Vendor Funding.* We believe our increased scale will provide optimized and improved vendor relationships, through which we receive allowances and credits for volume incentives, promotional allowances and new product placement. We intend to leverage our scale through our joint accelerated growth program with leading consumer packaged goods vendors.
- *Marketing and Advertising.* We believe our scale provides opportunities for marketing and advertising savings, primarily from lower advertising rates in overlapping regions and reduced agency spend. We intend to leverage our scale, but operate locally. Our national team will execute cutting-edge merchandising programs, optimize best practice sharing across divisions and enhance consumer understanding through consumer insight and analysis. Our local marketing teams will set brand strategy and communicate brand message to customers through the use of direct mail, radio, email and web applications, *just for U* and *MyMixx* personalization, television, social media, display and signage, search engines and weekly inserts. We also intend to develop and leverage cutting-edge loyalty and digital marketing programs. Since the Safeway acquisition, we have outsourced tactical advertising functions and implemented a standardized consumer survey index across the company.
- *Pharmacy, Utilities and Insurance.* We intend to consolidate managed care provider reimbursement programs, increase vaccine penetration and leverage our combined scale for volume discounts on branded and generic drugs. Recently, we entered into a five-year distribution agreement with McKesson Corporation ("McKesson") to source and distribute both branded and generic pharmaceuticals, commencing on April 1, 2016. Assuming that this agreement had been effective during fiscal 2014, management estimates that our purchases from McKesson would have represented approximately 7% of our fiscal 2014 sales on a pro forma basis. We will also benefit from the conversion of our banners to Safeway's leading energy purchasing program that will allow us to buy a portion of our electrical power needs at wholesale prices. In addition, we expect to lower our corporate insurance costs by leveraging best practices and scale across the combined company. In addition, in May 2015 we hired a new Senior Vice President of Pharmacy, Health and Wellness to help grow our pharmacy business.

For more information on our ability to achieve any expected synergies, see "Risk Factors—Risks Related to the Safeway and A&P Acquisitions and Integration—We may not be able to achieve the full amount of synergies that are anticipated, or achieve the synergies on the schedule anticipated, from the Safeway acquisition."

*Selectively Grow Our Store Base Organically and Through Acquisition.* We intend to continue to grow our store base organically through disciplined investment in new stores. On July 19, 2015, we entered into an agreement with A&P pursuant to which we are acquiring 71 stores for our *Acme* banner, and we have bid for an additional store subject to higher or better bids. We continually review acquisition opportunities that we believe are synergistic with our existing store network and recently made a preliminary proposal, subject to completion of due diligence, for an additional acquisition as part of a competitive auction process. We believe our healthy balance sheet and decentralized structure also provide us with strategic flexibility and a strong platform to make further acquisitions. We evaluate strategic acquisition opportunities on an ongoing basis as we seek to strengthen our competitive position in existing markets or expand our footprint into new markets. We believe selected acquisitions and our successful track record of integration and synergy delivery provide us with an opportunity to further enhance sales growth, leverage our cost structure and increase profitability and free cash flow.