



# Albertsons Companies (ACI)

Updated April 24<sup>th</sup>, 2025, by Kody Kester

## Key Metrics

<b>Current Price:</b>	\$22.35	<b>5 Year CAGR Estimate:</b>	6.0%	<b>Market Cap:</b>	\$13.0B
<b>Fair Value Price:</b>	\$21.67	<b>5 Year Growth Estimate:</b>	4.0%	<b>Ex-Dividend Date:</b>	04/25/2025
<b>% Fair Value:</b>	103%	<b>5 Year Valuation Multiple Estimate:</b>	-0.6%	<b>Dividend Payment Date:</b>	05/09/2025
<b>Dividend Yield:</b>	2.7%	<b>5 Year Price Target</b>	\$26	<b>Years Of Dividend Growth:</b>	2
<b>Dividend Risk Score:</b>	D	<b>Sector:</b>	Consumer Staples	<b>Rating:</b>	Hold

## Overview & Current Events

Albertsons (ACI) is one of the largest food and drug retailers in the United States. With more than \$80 billion in annual sales, a market cap of \$13 billion, and a history dating back to the 1860s, the company went public in 2020 and has paid a quarterly dividend ever since.

The merger with Kroger has been terminated because of an unfavorable ruling by the courts, following the objections of the FTC. As a result of this ruling, Kroger withdrew from the agreement and ACI has subsequently sued Kroger seeking damages as well as a \$600 million termination fee. The company alleges that Kroger failed to pay the \$600 million termination fee as required by the merger agreement. ACI also argues that the latter mishandled the anti-trust concerns from regulators deliberately to torpedo the deal following the impact that changing interest rates had on asset valuations.

On April 15<sup>th</sup>, ACI shared its financial results for the fiscal year 2024 ended February 22<sup>nd</sup>, 2025. The company's net sales edged 2.5% higher over the year-ago period to \$18.8 billion during the quarter. This topline growth was driven by a couple of factors. For one, ACI continued to execute its "Customers for Life" strategy, which is focused on improving digital engagement. That helped digital sales to surge 24% in the quarter. Additionally, ACI's loyalty members grew by 15% year-over-year to 45.6 million for the period. The company's diluted EPS fell 32.6% over the year-ago period to \$0.29 during the quarter. That was \$0.01 shy of the analyst consensus in the quarter.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	-	-	-	-	\$0.80	\$1.47	\$2.70	\$2.27	\$2.23	\$1.64	<b>\$1.97</b>	<b>\$2.40</b>
<b>DPS</b>	-	-	-	-	-	\$0.20	\$0.44	\$0.48	\$0.48	\$0.51	<b>\$0.60</b>	<b>\$0.77</b>
<b>Shares<sup>1</sup></b>	-	-	-	-	580.3	578.1	475.3	534.0	581.1	583.8	<b>583.8</b>	<b>586.7</b>

ACI has a limited history as a public company. This is why we believe that the only way that future growth can be gauged is based on the industry in which it operates, food and drug retail. We would argue that the industry is mature and stable, so growth is going to likely be limited. Moving forward, ACI believes that it can drive 2%+ annual identical sales growth (excluding fuel sales) with its investments in growing the loyalty program and expanding its digital sales mix. As these investments begin to yield results, the company could see incremental margin expansion. That's how ACI believes its adjusted EBITDA will rise at a rate faster than identical sales. This is why we believe that the company can deliver 4% annual diluted EPS growth over the medium term.

<sup>1</sup>Share count is in millions.



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## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	-	-	-	-	-	9.9	10.8	8.8	9.1	12.8	<b>11.3</b>	<b>11.0</b>
Avg. Yld.	-	-	-	-	-	1.2%	1.5%	2.4%	2.4%	2.4%	<b>2.7%</b>	<b>2.9%</b>

Since its IPO in 2020, ACI's P/E ratio has largely held in a high-single-digit to low-double-digit range. Over this time, the P/E ratio has been just above 10. In the years ahead, we believe that the company's efforts to improve engagement with its loyalty program and investments in its digital sales platform could justify a marginally higher valuation multiple. That's why we think that a P/E ratio of 11 represents fair value. From the current multiple of 11.3, ACI's shares appear to be fully valued.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	-	-	-	-	-	14%	16%	21%	22%	31%	<b>30%</b>	<b>32%</b>

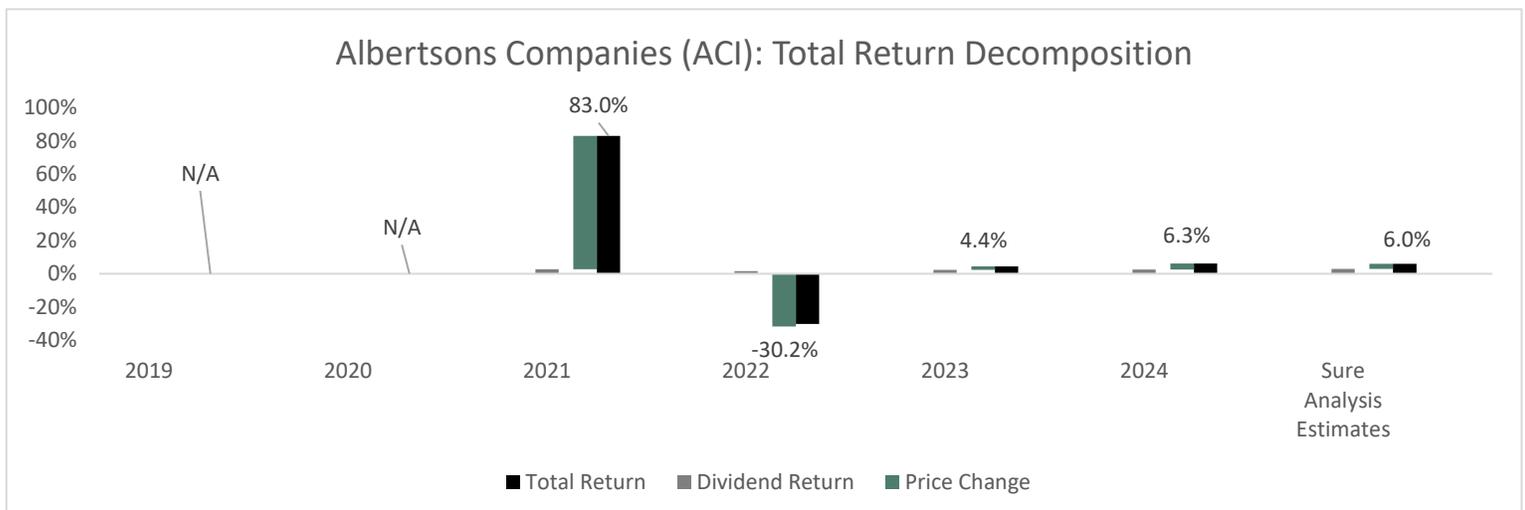
ACI operates a low-margin business in an intensely competitive industry. By that, we mean relative to its larger peers like Walmart and Target. These peers have more size and scale, but ACI is big enough that it can compete with them. However, the company doesn't have any factors that differentiate it enough from the competition to argue that it has notable competitive advantages.

Financially, ACI's credit rating from S&P is one notch below investment grade, at BB+. The company's interest coverage ratio was 3.4x in 2024. That's not especially high, but it's enough given the stable nature of the industry in which ACI operates for it to service the interest on its debt. ACI's dividend is well-covered, with the payout ratio expected to be right around 30% in 2025. This is why we believe there is room for the company's dividend to grow slightly ahead of diluted EPS for the foreseeable future.

## Final Thoughts & Recommendation

ACI's 2.7% yield, 4.0% annual diluted EPS growth potential, and 0.6% annual valuation multiple downside potential could translate into 6.0% annual total returns over the medium term. As a result, we're downgrading shares from a buy to a hold rating.

## Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	58,734	59,678	59,925	60,535	62,455	69,690	71,887	77,650	79,240	80,391
Gross Profit	16,062	16,641	16,361	16,895	17,594	20,415	20,722	21,756	22,050	22,256
Gross Margin	27.3%	27.9%	27.3%	27.9%	28.2%	29.3%	28.8%	28.0%	27.8%	27.7%
SG&A Exp.	15,660	16,033	16,209	16,272	16,642	18,836	18,301	19,596	19,930	20,614
D&A Exp.	1,614	1,805	1,898	1,739	2,262	2,118	2,305	2,460	2,444	2,499
Operating Profit	402	608	152	622	952	1,579	2,422	2,160	2,113	1,642
Op. Margin	0.7%	1.0%	0.3%	1.0%	1.5%	2.3%	3.4%	2.8%	2.7%	2.0%
Net Profit	(502)	(373)	46	131	466	850	1,620	1,514	1,296	959
Net Margin	-0.9%	-0.6%	0.1%	0.2%	0.7%	1.2%	2.3%	1.9%	1.6%	1.2%
Free Cash Flow	(58)	399	(528)	325	429	2,272	1,907	700	628	749
Income Tax	(40)	(90)	(964)	(79)	133	279	480	422	293	171

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	23,770	23,755	21,812	20,777	24,735	26,598	28,123	26,168	26,220	26,756
Cash & Equivalents	580	1,219	670	926	471	1,717	2,902	456	189	294
Acc. Receivable	---	---	615	586	525	551	561	688	724	835
Inventories	4,422	4,464	4,421	4,333	4,353	4,301	4,501	4,782	4,945	4,989
Goodwill & Int.	5,014	4,666	4,326	4,018	3,271	3,292	3,486	3,666	3,636	3,519
Total Liabilities	22,157	22,384	20,414	19,326	22,457	25,274	25,098	24,558	23,470	23,370
Accounts Payable	2,780	3,035	2,833	2,919	2,891	3,487	4,237	4,173	4,218	4,093
Long-Term Debt	12,226	12,338	11,876	10,586	8,048	7,701	7,386	8,910	7,608	7,392
Total Equity	1,613	1,371	1,398	1,451	2,278	1,324	3,025	1,611	2,748	3,386
LTD/E Ratio	7.58	9.00	8.49	7.30	3.53	5.82	2.44	5.53	2.77	2.18

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	-2.0%	-1.6%	0.2%	0.6%	2.0%	3.3%	5.9%	5.6%	4.9%	3.6%
Return on Equity	-26.6%	-25.0%	3.3%	9.2%	25.0%	47.2%	74.5%	65.3%	58.9%	31.3%
ROIC	-3.5%	-2.7%	0.3%	1.0%	4.2%	8.8%	16.7%	14.5%	12.7%	5.8%
Shares Out.	--	--	--	575	579	465	470	534	581	580
Revenue/Share	100.62	102.24	102.66	104.24	107.63	120.55	151.25	145.41	136.36	138.61
FCF/Share	(0.10)	0.68	(0.90)	0.56	0.74	3.93	4.01	1.31	1.08	1.29

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

### Disclaimer

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