



# Albertsons Companies (ACI)

Updated October 14<sup>th</sup>, 2025, by Kody Kester

## Key Metrics

<b>Current Price:</b>	\$19.07	<b>5 Year CAGR Estimate:</b>	12.1%	<b>Market Cap:</b>	\$10.9B
<b>Fair Value Price:</b>	\$20.35	<b>5 Year Growth Estimate:</b>	8.0%	<b>Ex-Dividend Date:</b>	10/24/25
<b>% Fair Value:</b>	94%	<b>5 Year Valuation Multiple Estimate:</b>	1.3%	<b>Dividend Payment Date:</b>	11/07/25
<b>Dividend Yield:</b>	3.1%	<b>5 Year Price Target</b>	\$29.92	<b>Years Of Dividend Growth:</b>	2
<b>Dividend Risk Score:</b>	B	<b>Sector:</b>	Consumer Staples	<b>Rating:</b>	Buy

## 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 approximately \$11 billion, and a history dating back to the 1860s, the company went public in 2020 and has paid a quarterly dividend ever since.

Kroger and Albertsons had been planning to merge. However, a court sided with antitrust regulators and blocked the deal. 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 deliberately mishandled the antitrust concerns from regulators to torpedo the deal, following the impact that changing interest rates had on asset valuations.

On October 14<sup>th</sup>, ACI shared its financial results for its fiscal second quarter 2025 ended September 6<sup>th</sup>, 2025. The company's net sales grew by 2% over the year-ago period to \$18.9 billion during the quarter. Factoring for fuel sales and the three-week Colorado labor strikes, identical sales would have grown by a 2.2% year-over-year rate in the quarter. As has been the case in past quarters, ACI's topline growth was powered by greater digital engagement via its "Customers for Life" strategy and growth in loyalty members. Digital sales climbed 23% higher, and loyalty members jumped 13% to 48.7 million for the quarter. Diluted EPS surged 20% higher over the year-ago period to \$0.30 during the quarter. That came up \$0.02 short 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>\$1.85</b>	<b>\$2.72</b>
<b>DPS</b>	-	-	-	-	-	\$0.20	\$0.44	\$0.48	\$0.48	\$0.51	<b>\$0.60</b>	<b>\$0.88</b>
<b>Shares<sup>1</sup></b>	-	-	-	-	580.3	578.1	475.3	534.0	581.1	583.8	<b>570.3</b>	<b>465.0</b>

ACI has a limited history as a public company. This is why we still think 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 topline growth is likely to 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.

What's more, the company just announced a \$750 million accelerated share repurchase agreement (~7% of the current market cap). This increases the board-authorized share repurchase program from \$2 billion to \$2.75 billion. The transactions under the ASR agreement are expected to be completed by Q1 2026. ACI can fund these purchases with its substantial free cash flow. That's why we think it can retire about 4% of its shares each fiscal year for the foreseeable future. This could drive high-single-digit annual diluted EPS growth over our forecast period.

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

*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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## 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>10.3</b>	<b>11.0</b>
Avg. Yld.	-	-	-	-	-	1.2%	1.5%	2.4%	2.4%	2.4%	<b>3.1%</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 slightly higher than 10. In the years ahead, we continue to think that the company’s efforts to improve engagement with its loyalty program and investments in its digital sales platform could warrant 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 10.3, ACI’s shares appear to be a bit undervalued.

## 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>32%</b>	<b>32%</b>

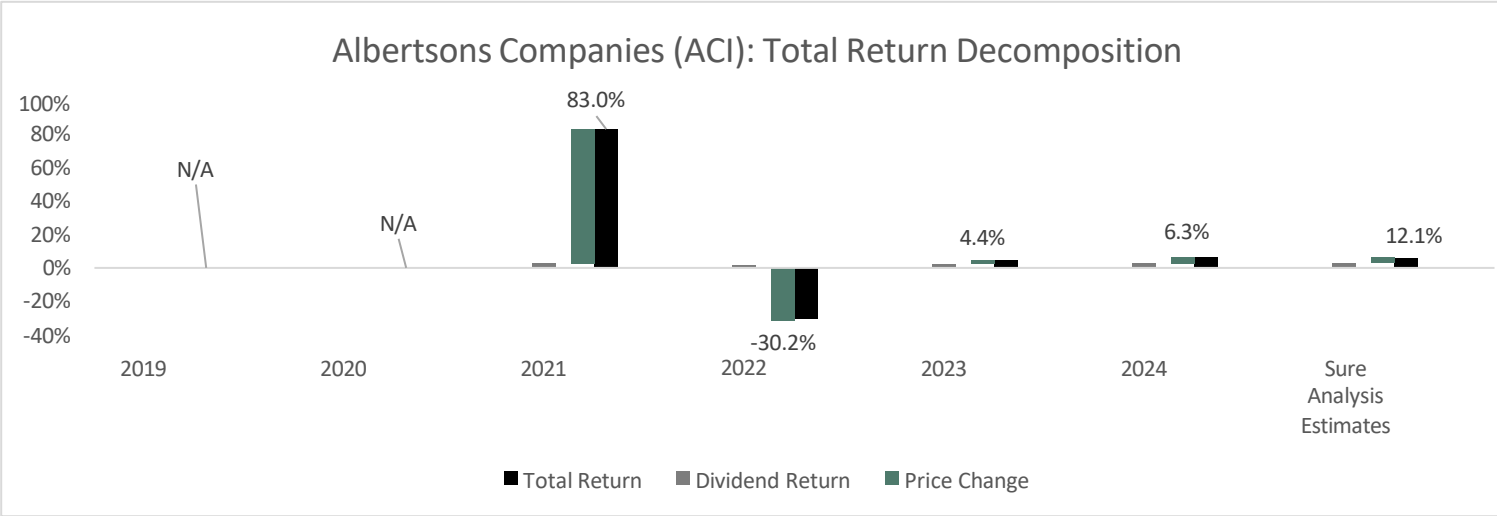
ACI operates a low-margin business in an intensely competitive industry. By that, we mean relative to its larger peers like Walmart and Target. These peers have more size and scale, but ACI is big enough that it can compete with them. However, the company doesn’t have any factors that differentiate it 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 3x through first-half 2025. 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 in the low 30% range for FY 2025. This is why we think there is room for the company’s dividend to grow at least as fast as diluted EPS for the foreseeable future.

## Final Thoughts & Recommendation

ACI’s 3.1% yield, 8.0% annual diluted EPS growth potential, and 1.3% annual valuation multiple expansion could translate into 12.1% annual total returns over the medium term. In the last few months, shares have declined by roughly 9%. ACI’s more appealing valuation and sizable share repurchase program are why we’re upgrading shares to a Buy rating.

## Total Return Breakdown by Year



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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.

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