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Albertsons bolsters business against multiple headwinds amidst merger

Article

The news: **Albertsons**' digital and pharmacy businesses delivered outsize growth in Q1, which helped the grocer beat analysts' top-line expectations in an otherwise sluggish quarter.

- Revenues were $24.27 billion, up 0.9% year over year (YoY), and ahead of the $24.14 billion that analysts surveyed by Zacks expected.

- Same-store sales growth was 1.4%, ahead of the 0.6% that experts expected.
- Earnings per share were 66 cents, down about 29% YoY, and in line with expectations.

The grocer expects headwinds from rising labor costs, declining margins (due in part to its digital and pharmacy businesses' slimmer margins), and the cycling of food inflation. CEO **Vivek Sankaran** anticipates "ongoing productivity initiatives" will help offset those challenges.

Why it matters: At the same time that the grocer continues to push ahead with its merger with **Kroger**, it is taking steps to strengthen its position even if the deal doesn't go through.

- It grew its base of loyalty members by 15% YoY in Q1, thanks in part to its push to simplify how consumers accumulate and redeem their savings in its "for U" program.
- The company grew its digital sales 23% YoY and continues to expand that business. For example, last month it became the first national grocery partner for **Grubhub**.
- It is also taking steps to bolster its retail media business. For example, Albertsons Media Collective in June launched Collective TV, a platform that combines retail media and connected TV (CTV) advertising capabilities.

The big takeaway: While Albertsons deals with a challenging landscape, the company is taking measures to ensure it remains on sound footing regardless of how its planned merger turns out.