

Walmart to sell UK unit as it seeks growth in online sales

April 30 2018, by Danica Kirka



In this file photo dated Tuesday July 17, 2007, the sign of an Asda store in Wallington, England. It is reported Monday April 30, 2018, Sainsbury's has agreed a merger deal with Walmart Inc.'s U.K. unit, Asda, for 7.3 billion pounds (dollars 10.1 billion U.S.) in cash and stock in a deal that would create Britain's largest supermarket chain, but the deal will be subject to review by Britain's Competition and Markets Authority. (AP Photo/Tom Hevezi, FILE)

Walmart has agreed to sell its British unit, Asda, to local rival

Sainsbury's in a 7.3 billion pound (\$10.1 billion) deal as the U.S. giant focuses on online sales in countries with higher growth and less intense competition.

The cash and stock [deal](#) will also reshape Britain's supermarket industry. It combines the No. 2 and No. 3 supermarket chains, with a total 31.4 percent share of the market that would put it ahead of the current leader, Tesco, according to data from Kantar Worldpanel.

"This is a transformational opportunity to create a new force in U.K. retail," Sainsbury's CEO Mike Coupe said in a statement. Shares in the [company](#) jumped as much as 21 percent in London.

The move highlights the [competition](#) in Britain's grocery market as discounters take market share from traditional chains such as Sainsbury's and Tesco. The deal combines Asda's strong presence in northern England with Sainsbury's larger operation in the south, creating a company with more than 2,800 stores across the country and 51 billion pounds of annual revenue.

Walmart, which is based in Bentonville, Arkansas, is building fewer big stores and increasing its focus on internet businesses as consumers increasingly turn to online shopping and it faces competition from Amazon.



In this file photo dated Wednesday, June 17, 2009, a branch of Sainsbury's supermarket is seen in Selsdon, south London. It is reported Monday April 30, 2018, Sainsbury's has agreed a merger deal with Walmart Inc.'s U.K. unit, Asda, for 7.3 billion pounds (dollars 10.1 billion U.S.) in cash and stock in a deal that would create Britain's largest supermarket chain, but the deal is expected to be subject to review by Britain's Competition and Markets Authority. (AP Photo/Sang Tan, FILE)

The proposed merger is "consistent with our strategy of looking for new ways to drive international growth," Judith McKenna, CEO of Walmart's international business, said in the statement.

Moody's Lead Retail Analyst Charlie O'Shea said the deal will allow Walmart to focus on areas where there is more opportunity for growth.

"Given the competitive landscape in U.K. grocery retail, profitable growth and expansion opportunities are limited, so reducing resources

makes sense, especially when there are other geographies and channels with greater 'runway'," he said.



A Sainsbury's sign outside a store in London, Monday, April 30, 2018. Sainsbury's has agreed to buy Walmart's U.K. unit, Asda, for 7.3 billion pounds (\$10.1 billion) in cash and stock in a deal that would create Britain's largest supermarket chain and marks a profound shift in the country's grocery market. (AP Photo/Matt Dunham)

Walmart will receive 4.3 billion pounds worth of Sainsbury's stock and 2.98 billion pounds in cash for Asda. Walmart will own 42 percent of the combined company but has only 29.9 percent of the voting rights. Sainsbury's chairman, CEO and [chief financial officer](#) will run the company.

Sainsbury's said it will retain both the Sainsbury's and Asda brands, and it has no plans to close stores.

The deal is expected to result in cost savings of at least 500 million pounds, and Coupe said he expects to lower retail prices by as much as 10 percent.



An exterior view of a Sainsbury's Local in London, Monday, April 30, 2018. Sainsbury's has agreed to buy Walmart's U.K. unit, Asda, for 7.3 billion pounds (\$10.1 billion) in cash and stock in a deal that would create Britain's largest supermarket chain and marks a profound shift in the country's grocery market. (AP Photo/Matt Dunham)

The combined company will be "designed for a new era" of retailing, bringing scale in clothing and general merchandise, Coupe said.

Britain's Competition and Markets Authority said it will "likely" assess whether the deal could reduce competition and choice for shoppers. The regulator has the power to require Sainsbury's to close stores in areas

where the combined company would have too much market dominance.

The Labour Party's business spokeswoman, Rebecca Long-Bailey, has already called for an investigation of the proposed deal.

The merger risks "squeezing what little competition there is in the groceries [market](#) even further," Long-Bailey told the BBC on Saturday when the news of a possible deal first emerged.



Rain covers a Sainsbury's Local sign outside a store in London, Monday, April 30, 2018. Sainsbury's has agreed to buy Walmart's U.K. unit, Asda, for 7.3 billion pounds (\$10.1 billion) in cash and stock in a deal that would create Britain's largest supermarket chain and marks a profound shift in the country's grocery market. (AP Photo/Matt Dunham)



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People walk past a Sainsbury's Local in London, Monday, April 30, 2018. Sainsbury's has agreed to buy Walmart's U.K. unit, Asda, for 7.3 billion pounds (\$10.1 billion) in cash and stock in a deal that would create Britain's largest supermarket chain and marks a profound shift in the country's grocery market. (AP Photo/Matt Dunham)

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