



## Loblaw, Shoppers Drug Mart Start Week With a Bang

### Description

For those who wondered why **Empire's** recent acquisition of Safeway's Canadian assets didn't get more of a rise out of this country's leading grocery store, **Loblaw** ([TSX:L](#)), wonder no more.

This morning's announced Loblaw/**Shoppers Drug Mart** ([TSX:SC](#)) combination obviously had the company's execs otherwise occupied.

Talk about a shift in the Canadian retail landscape and another blow to Canadian investors as one of this country's top long-term pure-plays on the ageing demographic, Shoppers, will soon be pulled from the shelf.

### The deal

The deal is comprised of Shoppers' shareholders being offered cash and Loblaw shares. Specifically, Shoppers owners are set to receive \$33.18/share in cash plus 0.5965 Loblaw shares for each share of Shoppers they own. This represents a 27% premium over where Shoppers' shares closed on Friday, given Loblaw's closing price as well.

Loblaw will pay for the deal with a combination of cash on hand, debt and a \$500 million shot of equity from controlling shareholder **Weston's** ([TSX:WN](#)). In a somewhat intriguing twist however, when the dust settles, Weston's will no longer be the majority owner of Loblaw.

Given the projected number of Loblaw shares projected to be issued, Weston's ownership stake is set to decline from about 63% down to 46%. Shoppers' owners will own 29% of the combined entity, and remaining Loblaw owners will hold 25%.

### Big picture

After years of battling an inventory management system overhaul, Loblaw appears to be back on the offensive. First, it was the spin-out of its real estate assets. Now this deal, that truly is a game-changer for Canadian retail.

Given the onslaught of U.S. based retailers that have encroached on all aspects of the Canadian consumer space, it's refreshing to see this country's grocery concerns fighting back. The Loblaw/Shoppers combination seemingly presents an unprecedented platform with limitless possibilities for the future. With this platform in place, it's now up to management to take advantage.

### **Foolish Takeaway**

Though we appear to be losing one of this country's most cherished investment opportunities in Shoppers, we gain what, on paper at least, appears to be a very intriguing combination of retail heft. Today's announcement is going to have implications on how we Canadians shop, and invest, for many years to come.

Shoppers was one of the 5 stocks that we suggested in our special **FREE** report "**5 Stocks to Replace Your Canadian Index Fund**". To download this report and learn about the remaining 4, simply [click here now](#).

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*Fool contributor Iain Butler doesn't own shares in any of the companies mentioned at this time. The Motley Fool doesn't own shares in any of the companies mentioned.*

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:L (Loblaw Companies Limited)
2. TSX:WN (George Weston Limited)

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1. Investing

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