

BRITISH RETAILER AGREES TO SELL KING'S - AGAIN

BY JONATHAN BRAUDE AND DAVID CAREY

It was third time lucky Friday for Marks and Spencer Group plc.

The British clothes and food retailer Friday announced the sale of Parsippany, N.J., grocery store chain Kings Super Markets Inc. to private equity investors Angelo, Gordon & Co. and MTN Capital Partners LLC, both of New York, and to operating partner Bruce Weitz.

The \$61.5 million cash deal, expected to close at the end of April, is the iconic London retailer's third attempt to dispose of Kings, an upscale chain it bought in 1988 and first put on the block in 1999. It reached a deal in July 2002 to sell the company to D'Agostino Supermarkets Inc. for \$160 million, but D'Agostino failed to find financing. A similar debacle

followed when New York-based Gristede's Foods Inc. offered \$120 million but couldn't raise the money.

Kings, which the Bildner family founded in Summit, N.J., in 1936, operates 24 stores in New Jersey and two in New York. It reported sales of \$405.9 million in the year to April 2, 2005, and operating profit of \$7.9 million. M&S said that the Kings net assets being disposed were worth \$57 million on April 2, 2005.

"The disposal of Kings is the last part of our program to refocus Marks and Spencer," said M&S group finance director Ian Dyson in a statement. "Kings is a strong brand with a committed work force, but it doesn't fit within our core business."

"Although [the deal] creates a loss on disposal against the £67 million [\$117 million] paid for the business ... it should

be regarded as a tidying-up exercise and thus a sensible move," said Richard Ratner, a retail analyst with U.K. broker Seymour Pierce Ltd., in a research note on the sale.

Angelo Gordon director Brent Leffel said his firm, a hedge fund manager and private equity investor, and MTN, a private equity shop, would finance the purchase with a combination of debt and equity capital. He said the buyers were talking to potential lenders, whom he wouldn't identify.

"Kings has performed quite well, and we think the high-end food retailing sector is a great niche," said Leffel. The buyers, he said, believe they can boost per-store sales and also plan to add stores.

Charles Weissman and James Stefanick of Dechert LLP are the lead lawyers representing Angelo Gordon. Davis Polk & Wardwell is representing Marks and Spencer.

A veteran supermarket sector manager, Weitz was previously chief executive of Duane Reade Inc. and Today's Man Inc. ■



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