

Henry's food chain would be sold off if deal OK'd

by Jennifer Davies - CNS

SAN DIEGO - Whole Foods said Wednesday it plans to sell the Henry's Farmers Market chain to a private equity firm if a planned acquisition of Henry's parent Wild Oats passes government muster.

The potential buyer is Apollo Management, a firm that recently purchased the Los Angeles-based warehouse food chain Smart & Final for about \$813 million.

In addition to Henry's, which has 15 stores in San Diego County, Whole Foods plans to sell 20 of Wild Oats' Sun Harvest stores to Apollo. Texas-based Whole Foods said the stores don't fit its real estate and brand strategies.

The deal is contingent on the completion of the \$565 million Whole Foods-Wild Oats deal, which the Federal Trade Commission is seeking to block because of antitrust concerns.

Whole Foods CEO John Mackey said the company was announcing the sale plans now because "it is important to us to ensure a smooth transition and to be open about our plans because of the employees and loyal shoppers at these locations."

Whole Foods operates 190 stores, including two in San Diego County. Wild Oats, which acquired Henry's in 1999, operates 15 stores in San Diego County, including a 30,000-square-foot flagship outlet in Carlsbad, Calif., that opened last year. There are two other Henry's stores in the county that are not owned by Wild Oats.

According to Mackey, Henry's and Sun Harvest accounted for about 30 percent of Wild Oats' yearly revenue, which totalled about \$1.2 billion last year. Wild Oats acquired the Henry's chain from the Boney family in 1999.

If the deal goes through and Henry's is then sold to Apollo, it is unclear what it could mean to the stores or its shoppers.

George Whalin, president of Retail Management Consultants in Carlsbad, said when a private equity firm purchases a successful retailer like Henry's they typically leave it alone. But, he said, "it's hard to know" what will happen considering the recent Smart & Final purchase.

Shon Boney, co-founder and CEO of Sprouts, a chain of natural grocery stores based in Arizona, had expressed interest in the past in buying some or all of the San Diego Henry's stores. Boney, whose family started Henry's, said Wednesday he no longer had any immediate acquisition plans.

"We are happy to grow organically, excuse the pun," he said. "But if the Henry's stores became available we'd love to talk," he said.

While the future of Henry's is unclear, Whalin said it makes sense for Whole Foods to sell those stores.

"If you are a national retailer like Whole Foods, you are going to build a national brand," he said.

Mackey, for his part, said Henry's and Sun Harvest didn't fit the Whole Foods image. In his blog, Mackey wrote that the two chains sell "cheaper, and frequently lower quality produce, as well as a number of products that don't meet the Whole Foods quality standards."

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