FINAL TRANSCRIPT

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WINN - Winn-Dixie Stores at Banc of America Securities Consumer Conference

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CORPORATE PARTICIPANTS

Peter Lynch
Winn-Dixie Stores - Chairman, CEO & President

PRESENTATION

Unidentified Participant

(Inaudible) we go and take a look at the presentation time. It's a public appearance statement from Bank of America that we also must read before each presentation.

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Great; we are really pleased to have Winn-Dixie here today to go over kind of what's becoming an emerging story coming out of bankruptcy. And we're really pleased to have Peter Lynch here who I've known for quite some time and of course was (inaudible) company for a long period of time. With that, I'll hand it over to Peter.

Peter Lynch - *Winn-Dixie Stores - Chairman, CEO & President*

Thanks, Mike. Good morning, everybody and looking forward to a full update here on Winn-Dixie. With me up here is also Dan Portnor, who is our Senior VP and Chief Marketing and Merchandising Officer; Ben Nussbaum, who is our CFO at Winn-Dixie, and as we get into Q&A if there's any specific question for them, please jump in. I've also got Sheila Reinken here with me; Sheila, you may want to raise your hand there for the group. Sheila is the Vice President of Finance and Treasurer; and also Eric Harris who is our Director of Investor Relations.

You should know this whole team up here is relatively new. Everyone except for Bennett, who was only there about three months prior to my getting to Winn-Dixie, is all new. So it's a new team. In fact, of the top players who are in Winn-Dixie, seven out of the ten are new. So there are major league changes that have happened to the Company. Next slide, please.

That's our Safe Harbor statement. You guys have read a million of those. I'm not going to read it to you. But it's there. Next slide, please.

On the agenda; a lot of stress on five things; one, the fact that we've built a very strong foundation at Winn-Dixie; two, the current state of what's going on; three, the fact that we're focused on neighborhood marketing as we move thing; to a little bit of guidance for 2008 and then I'll do the wrap-up summary and then we'll move into Q&A. Next slide, Eric.

Okay, building a strong foundation; it's critical for Winn-Dixie. We had to take the Company in Chapter 11 and we had to get it cleaned up. You guys all know that story. But in the past year, we've built a very, very strong foundation. As I get around and I do individual conferences and in talking to people, we've got very good transparency into our business; in fact as I've said to people before, I've got a better handle on this business than anyone I've had before because of the transparency that we have day in and day out.

Every Monday morning, I meet with all the merchandisers and the operators and some of the finance group, and we know exactly where we were for the prior week on sales, on margin and on expenses. We do the same thing on Wednesdays with our executive team. We just finished our first pass last week on our AOP for next year. And I've got to tell you; we've got a very, very good handle on where we are. So the foundation is good.

We've made a lot of changes and I'll talk about those in a minute. But we started off with a good foundation. That was phase I. We're into phase II now, which is really about getting that CapEx spend right. And the good news about our CapEx spend I think (inaudible) release. For our new remodeled stores that are defined as offensive; we're running at over 12% on ID sales lift. And we're spending about $2 million per remodel.

I just heard in the prior presentation, if I heard the number right; they're getting a 5.3% lift. So we're spending less and we're getting more. Our remodels are working and that's part of our centerpiece of our strategy going forward.

So phase II; get the CapEx going and then make sure you drive profitable sales. And I'll talk about that in a minute. That was one of the old problems with the Company. We've resolved that with the Company going forward.

Then as you get into phase III; that's when you start to get mass and you start to get upwards toward 40 and 50% of the stores remodeled. Then you can really talk about the brand. That's when a lot of the customers are coming back and saying-- hey, I haven't been to a Winn-Dixie for years, but I walked in the other day and guess what-- this is a new company and things have changed.

We're seeing that already. We have a store in Jacksonville, (inaudible) Lakewood store. I just recently gave a presentation to-- I don't know-- 600 people in Jacksonville at a Chamber meeting. A lot of them happen to live in that neighborhood. And they said-- Peter, we've been to your store. We had to walk in and walk out and look at the name on the front of it to see whether it was a Winn-Dixie or not because the changes are that dramatic. And that's what we're doing as we move along. As we get into phase III, as you get mass; this thing really starts to propel itself.

Go back again, please; Eric. In Chapter 11, we streamlined the Company. We did away with about 400 stores. We were in the wrong markets. We got out of states where we didn't have the right market share or we had the right competitive position. Today, we're in five states. The majority of the stores, 358 are in Florida. We're also in Alabama, Georgia, Mississippi and Louisiana. In every one of those states, we've got a number one, two or three market share.

In Florida, which is the biggest state that we operate in, we're number three. There's not even a close number four to us. We have tremendous opportunities in the state of Florida, as we move along.

We also-- as we realigned the Company, made sure that we're investing in the right areas as we're going forward. We've exited the right markets and we're in the right states and we've got the right share as we move along.

I think this last point is very, very important. When I got to the Company, morale was at an all-time low. I can tell you as you go into our stores today, our associates feel good about where the Company is going. They're being taken down the right roads. They feel the success.

I've told people this very, very often. As powerful as it is to put all this CapEx into the stores, the most powerful tool you can ever have is to get 52,000 people energized, motivated and moving in the right direction. If you get people heading the right way, great things happen to our Company. And I can tell you, we've got that happening at Winn-Dixie today. Next slide, please.

Okay, some of the highlights here; the gross margins are profitable. I think as you've seen, on our latest announcement, we had a 100 basis point increase in gross profits on margins over the prior quarter. That was very, very important. Part of the problem with Winn-Dixie was it could never get the right gross margins, particularly in the first half of the year.

I think what had happened at the Company for years; as you know, our year end is at the end of June. They came out in June. Probably the sales (inaudible) were bad. They pumped the money into it, and never quite got what they needed to out of that. As a result, they pumped in money in margin in the first half; it didn't drive what they wanted.

As we got this thing going, margins were pretty good in the second half of last year. In fact, they were extremely good. Our challenge this year was to see if we could get profitable sales in the first half. The good news is we have. We've brought those margins up in the first half of the year to where they should be. And we're able to compete in that arena as well. It's very, very important for us.

I think some of the numbers you can see here, but I'll read some of those for you if you haven't. I think the important one, on the gross profit; it's up $115 million or 6.1% increase on that number. In sales per square foot; we were at $290, we're up to $297 and we're growing. But that sales per square foot is a key indicator for the Company as we go forward.

We're at about that 300 number; I think as you know, great players in the industry are some place north of $500 per square foot. That's the opportunity for Winn-Dixie. How do we get up to the industry levels on the sales per square foot? And quite frankly, we don't have to get all the way, to really turn this thing around. It's just part of the way. But there is nothing to prevent us from getting all the way. There are no obstacles there. And we're going to be executing on our programs as we go forward. Next slide, please.

Okay. Gross margins I just talked about at 27%, an increase of 100 basis points over our prior year. Adjusted EBITDA in the first half of the year was $41.1 million, an increase of $51.6 million to the prior fiscal year. And the Company, as of January 9th, had $588 million of liquidity. We have sufficient liquidity to fund this whole CapEx program going forward. We've got absolutely no issues there.

We're not going into (inaudible) this year. We've already talked about that. So we're moving very, very well along with our financials as we head into our '09 year. Next slide, please.

I just thought I'd throw this out. This is the Shelby March Report; the front page of it, Winn-Dixie displaces Wal-Mart. We're now number two with market share in Miami. That's a big deal for a company that used to [be count out] of the game. We've come back. We're gaining market share. And that's a key market for us in Miami.

And if you get a chance, read the Shelby Report. I think it does a pretty good job of talking about the turnaround. It does a pretty good job about talking about where the Company is headed for the future. Next slide, please.

Okay, remodel program; this is very, very important. As I talked to you before, this is really the centerpiece in driving the Company forward. The Company had not invested into the stores or when they had invested, they didn't invest the right way. So right now, our offensive remodels are running about 12% lift in ID store sales. I think I told you what I heard in the earlier meeting; 5.3 out of (inaudible). I think there's another major competitor a couple of months ago that talked about a 6% number. So we're getting some pretty good lift out of these remodels.

One, I think they're being done the right way. Two, this is very important; the stores were so bad before that when you change them around, the difference is like night and day. You walk into one of our stores that hasn't been remodeled, the colors are turquoise and pink; it looks like 1960s. If you walk into the stores-- and I'll show you some pictures in a second here-- it's a major change.

So I think we've done the stores the right way with the d cor. And more importantly, we've complimented it with the right departments in there with the focus on fresh. The customers like it and we're getting that 12% lift.

Transaction count has increased 5.2%. Basket size has increased 6.8%. So the customers we had before are buying more and we've got new customers coming into the store, which is really important to this turnaround. And I think as you know, and most retailers-- particularly food retail-- traffic is flat or negative. And we've got new ones coming in the store which is very important.

The next point, the shift from non-perishables to perishables; that is critical to where we want to go. As you know, the perishables have probably about 1,000 basis points in increase in margin. You may or may not know that Winn-Dixie was clearly under the industry average on the perishable mix. We designed the stores to have the customers buy more perishables, so the program is working. We're getting increased traffic into the stores, we've got a 12% ID sales lift, and they're buying more profitable products. That's the idea behind the whole program as we move ahead.

We're at 18% of store base remodeled by the end of FY '08, which is June. In the end, there will be 75 stores that we've completed in the year that we're in. That's on top of the 20 we did last year; 95 stores. By June of 2010, we will have 50% of the stores completed. And that really give us the math to really start to drive this thing. Next slide, please.

This is an example of one of our stores. This one happens to be in Jacksonville. That's the produce department. Now I can tell you, in the (inaudible) you've been in one of the old Winn-Dixies; this is like-- it's an unbelievable difference.

One of things you have a responsibility as a leading company, is how do you give the vision to your associates? And what I say to them is when that customer walks into that store, if they say- wow; we've won. You've got to keep it as simple as that.

Because then the customer is saying that there's something different here that's not in the competitors' stores. And our focus, as we do these stores, is going to be on fresh and it's going to be on being local. And we're doing that very, very well.

In fact, we'll even move the front door of the store so the customer walks into the produce department, versus walking in behind a bunch of check stands; which is kind of a problem for a consumer. It's a problem for me to kind of walk into kind of a mess. It was disorganized and chaos. We want to the customer to walk into the produce department or flower department. It's all about fresh, it's about natural; it's about the good things in life. That's what the consumer wants to see. So that's an example of when you walk in the front door; you're going to see fresh, you're going to see variety.

There's one also important aspect of this picture. And for you guys that have been on IT stuff; in IT you always talk about leapfrogging. You might have had old technology, but you have the opportunity to leapfrog over the best. You can do the same thing if you do it right in one of our stores. We're taking one of the oldest produce departments; we're now leapfrogging over our competition to have one of the best fresh offerings in the market that we're in.

Everybody talks about Publix and they're a great, great operator. But quite frankly, we can leapfrog over that. For those of you from the Northeast and other parts of the country; you've seen some very, very good stores. Publix is good, [but] not as good as what you see throughout the rest of the country. This produce department is probably better than what they have to offer.

In the corner there, with all the pods for variety; that's now one of the signature items for us. So every store when you come in and you turn, you're going to see that signature, that variety, that quality which you may not get with our competitors. Quite frankly, this is getting closer to Whole Foods, but it's a whole lot cheaper. So we've got the variety, we've got the quality, and we've got the price. This is a good thing as we move along. Next slide, please.

We're bringing in natural foods. The consumers are looking for this. Everybody wants to live to be 100 years old, okay? And everybody is looking at the labels. They want the good things in life. So in our stores, we're bringing in a natural food department and you transition from the produce department into the natural foods. It's a natural transition. It's a great department to have in our stores and we're seeing some great growth in these departments as they're put in there.

And again, this is new sales for Winn-Dixie. We never had that before. This is the upside opportunity that we have going forward. Next slide, please.

This happens to be what we call the over-under case. We're putting these in our seafood and meat departments. It is a service case. We don't do it in all of them, because we've taken a look at the neighborhoods. But this is an example of where above it's all service; below it's self-service. So rather than having one of these big cases for service, where you might shrink out a lot; now the space isn't as great, but the presentation is even better. And in the bottom side of the case you get an opportunity on the lower side with our prepared products, our self-service products going forward.

This has become a signature for us in our seafood and meat departments. And as you know or may not know, Winn-Dixie was always known as the beef people. We're going to continue to move that forward. That's very, very important for us. When we drive meat in our ads, we drive footsteps into our store. So we'll continue to build upon that brand. Next slide.

This just happens to be a shampoo section in one of our stores. We put in curved shelving now in center store. I think as most of you know that have followed the grocery industry, the center of store has been boring. The food retailers have had trouble getting consumers into the center of the store. Now we've put departments within departments at Winn-Dixie and it makes it exciting.

That department drives our consumers into it. And the manufacturers have become very interested with us on how we're doing this because they believe we can drive more sales for them in these departments as we move forward; big change for Winn-Dixie.

Our private-label program; particularly during these tough times, I think it's very important. We've got a three-tier program. Obviously Thrifty is a good product. That's the value brand. We've got the new Winn-Dixie label and that's the everyday product that exceeds or matches the manufacturer product. And the new one we've brought out is our Prestige or the Winn-&-Lovett label. And that's for the upper tier.

We have right now about 20.6% of penetration in private label. We're up 1.6%; this is a year ago, so it's growing. As all of you know, there is about a 1,000 basis point increase in margin in these areas. Probably best in class; some place around 25% penetration or north of that.

During tough times; whether we're in a recession or going to be in a recession or whatever, people are looking for value and they're trading down. We now have already changed the labeling on somewhere between 700 to 1,000 products. We'll have 1500 SKUs completed by June. We've got 3,000 in the total category to be completed by the end of next year.

This new packaging is working for us. And that's why we've seen this increase; 1.6% of penetration here. We're making more money. We've given the consumers what they're looking for. They are trading down. They're doing three things; [they are happening now] to the consumers during these tough times. One, they're trading down from restaurants to the food stores, dining at home. Two, they're looking for better value. What better positioning than private-label program and a good one that we're coming up with? And three, they're shopping closer to home.

Part of Winn-Dixie's problem before was they were driving past us. Now with gas prices going up, they're just thinking twice; maybe stop by for a look. And when they stop for a look, this is an opportunity to say-- hey, I haven't been in this place for a long time, but it's not a bad place to shop. We think it's the perfect store for us. We think that what's happening with the economy is going to bode up very, very well for Winn-Dixie.

And I'll add another piece to it. Because a lot of people say-- hey Peter, we're down in Florida and Florida is getting hit real hard with this deal. Let me tell you something. They're still building all the condos. They haven't stopped building the bridges or the roads, etc. Now, they may not be building the next condo building, but all the stuff is getting built and they're still working on it. I think Florida is going to be in a better position when we come out of these down times, than other parts of the country because they've done all this growth.

And guess what? Winn-Dixie is doing 75 stores a year in remodel. By the year 2010, we're at 50% completed. We're going to be in a better position for the growth when it happens. So I said before, I think we're positioned well during the tough times; we're going to be in a position better when we start to rock and roll out of these tough times, which is going to be very, very good for us. Next slide.

That's an example of the private label; the new labeling which we think is great. This just happens to be cinnamon rolls. And that's coming off very, very well for us. That's the new look that you see. The new look is all throughout the store. Next slide, please.

Our corporate brands; I've gone through every single one of these with you. But we think our position is good and we're in good shape going forward. Next slide.

Neighborhood marketing; next one please-- we want to be right in the neighborhoods that we serve. We've got five focuses out there-- Hispanic, Urban, Affluent, Kosher and Resort. And I'll show you some pictures of all of those, but those are the neighborhoods that you represent and you've got to be right.

I learned it years ago when I was running Star Market in Boston. For those of you that are familiar with that market, we had stores in Boston; we had stores in Providence, Rhode Island. The copy I would run on the front page of the Boston paper would be different than the copy I ran on the front page of the Providence, Rhode Island newspaper. People [need] different things in different markets. So you've got to be right for the markets, and that's what we're doing.

Think about this. We're going to be local and we're going to be fresh. Next slide, please.

That happens to be in the Hispanic market. It just happens to have the right items for the Hispanic population out there and we do a very, very good job. A lot of stores down in (inaudible); we need to merchandise those right and we've got the right people doing it. It's coming off very well for us. Next slide, please.

This happens to be a store on Market Street in Jacksonville. That's a rendering. It's almost starting to look like that right now. It will be completed by June. This is an urban downtown store where a lot of people said -- hey, we're not going to play in that market. Guess what? There are a lot of people there that need to be fed. They need to eat. They need a good place to shop. Winn-Dixie is going to be there.

We're doing the same thing down in Liberty City in Miami. If you're familiar with the area, it's a tough market. Publix doesn't want to be there. Just by cleaning up the store, we got a double-digit sales increase. And now we're going in to remodel the store and be right for the neighborhood. Those are the right to do and a pointed opportunity for growth. Next slide, please.

This happens to be an example of an affluent store. We put in the right type of wine shops in there; tremendous upside. Winn-Dixie; believe it or not in our stores, we had wine on one side of the store, we had beer on the other side. We put them together, make a shop, put in the right type of items that consumers want in those markets; and all of a sudden you get upward mobility. It's working very, very well for us; a great, great wine department; that one happens to be in New Orleans.

This is a great story. I don't think you've heard about this story. We opened up the NASDAQ market from this store. It's a store in East Orleans; east of the industrial canal. We were the first retailer to get committed back in that market and we've had unbelievable sales experience.

In fact, we offer the store as a prototype. It's as good as any store in America. People actually came in from New Orleans and cried because we had brought back their lives, okay? There's now a store they can shop in. [Simply] put, people really relate to retailers that are there to help them out, and be right in the neighborhood. So what's right for them? Helping families and neighborhoods grow is what we've done there.

It's been a very interesting phenomenon for us in New Orleans, but it's a great market for us. After Katrina, I said that we would grow as New Orleans grew. We have; it's benefited us very, very well in that market. That's been a very good place for us. Next slide.

Kosher; we've got an awful lot of markets that need to have the kosher offering in there; particularly down in Miami. We've now got stores where we've got a kosher bakery, a kosher deli. The (inaudible) is running the operation for us and they're going very, very well. Again, you've got to be right for your neighborhoods, and this store is doing a great job.

Some may not go as deep as putting the deli and bakery in, but we definitely have the food offerings in the stores. In fact, I can get an end display there of all kinds kosher wines that are right for the neighborhood. And we're getting a lot of good grades on that. Next slide, please.

This happens to be a store in Orlando, right outside the gates of Disney World. That customer is different. We call that a resort customer. They're looking for the items that they want to get when they're down there at Disney. We put in a whole section of all the Disney products. But even more important, when you walk into that store, we've opened up the right hand of the store and it's a lot of grab and go. It's probably got one of the best wine departments we have in the Company right now because all these people down there are on vacation. They want to be able to get some wine. They want to be able to get the cold beer.

In the deli, they have some great offerings. And I think as all of you know when you're on vacation, whether you're at the beach or you're at Disney, you just want to get it and go. There are margin opportunities again. And that was something that --Winn-Dixie never took advantage of before. And we've got a lot of resort stores, whether it's Disney; [best in] Florida down near the pan handle on the coast; we've got a lot of places like that. And our competitors have taken advantage of this for years. Winn-Dixie never did.

But we need to be right in the neighborhoods that we're in. Again, it's a focus on fresh and it's a focus on being local. Next slide, please.

Okay, a little guidance here; our adjusted EBITDA is now expected to be in the range of between $105 and $125 million for the year. And prior it was $90 to $115, so I think you can see we're feeling good about the progress that we're making as we go forward.

Our gross margin percent for the second half of fiscal '08; we expect it to be equal to the second half of fiscal '07. We had a very good second half of the year. Remember what I said to you. We're trying to balance this thing out. Our problem was the first half. We've now run the first half up, we had a very good second half; and we'll continue to cruise along with this. So our opportunity there was to get the margins right and we're doing that.

And the third point down here; we expect to achieve year-over-year improvement in ID sales for the second half of FY '08. So we continue to build upon ID store sales increases and having a healthy margin to propel this whole operation as we go forward. Next slide.

I guess in summary, we've built a very solid foundation for growth. We did our homework. We had the opportunity through Chapter 11 to figure out what didn't work, what needs to work. We traveled the whole country to make sure. We put together a store that was right for the future. We've done that. The foundation is very, very good.

Our strategic initiatives are on plan. A lot of this was getting the right people in our stores. You can have the right plans, but if can't execute them, they're not worth anything. We changed around our field teams and we put more people out in the field so they could teach and train and develop our people. We changed around our store operations, people in the store; so they're more focused on the consumer.

We have put 100 new store directors in our stores over the past year and a half. And I would suggest to you that there is no company in America that's done that.

Now that says two things to you. One, we're focused on moving up the bar and putting better quality people into our stores. The second part that's important is we've got the ability to attract and retain them to come down to Winn-Dixie to work for us. So it's working right on both levels; increasing the bar with the quality of people, and people are knocking on our doors to come down and work for the team. They want to get involved. And it's working very, very well. And we're working across the organization to make sure that we've got the right people to execute our programs as we go forward.

If I talked about anything today that was important; okay, it's all about people and it's all about the right people; you can gather all the right people to execute these plans. A good store director; he or she is worth their weight in gold. You get a good store director in the store, sales are typically good, you're making money, you don't have problems with associates, and you don't have problems with customers.

So we've got a huge focus on making sure we've got some of the best store directors in America running our stores as we go forward. If we're going to spend $2 million on the store, we need to make sure we put the right person behind that team to really grow the sales for the future.

A lot of people said to me-- hey Peter, you've done 75 stores. Why don't you speed it up and do more? I looked at them. The issue you have though-- you're not just doing the 75; you've got to spend as much time behind the store when you complete it, than you did up front. Because the real key now is how do you get this return on invested capital you're working for in that store and making sure you get a position to build it. So we're only focused on doing 175 stores at any point in time.

That talks about the leadership team. And we're very, very focused on achieving profitable sales. Anybody can sell Coca-cola at any given price, okay? The trick is to balance out that front page and have profitable sales going forward. We think we've got the ability to do that because as we develop the brand and make the brand stronger, then we earn the right to [pull] that customer into the stores because of the other propositions in there like fresh or like being local.

So that's our story. I tried to be brief enough so we can open this up for plenty of Q&A because I think you've probably got a lot of questions. But if want to review one thing, I feel very, very good about where we are. I feel extremely good about the team. I see tremendous opportunities for Winn-Dixie as we move forward. And again, I'll come back to this transparency. We know where we are, we know where we have to go and I feel extremely good about these stores.

I spend two days a week in our stores. I believe you've got to kick the towers. You've got to go out there and inspect what you expect. And as I walk the stores, the comments I'm getting from the customers, the comments I'm getting from associates clearly energize myself to make me feel good about where we're heading. We're on the right track. So I feel very, very good about where Winn-Dixie is headed.

So with that, I'd like to open it up for Q&A.

QUESTIONS AND ANSWERS

Unidentified Participant

Okay. Maybe I'll start off until we get the mic going. Peter, you mentioned you're going to phase III and one of the things that I think Winn-Dixie always suffered from historically is kind of where does it sit competitively? You know, you kind of have Publix picking up say-- the mid to upper and you've Wal-Mart in there taking maybe the lower to mid, and Winn-Dixie really didn't have a (inaudible). Well, you had (inaudible) people but that was sort of where you didn't have a place in the market. So as you drive into phase III, what is your vision? Where do you see Publix as--?

Peter Lynch - *Winn-Dixie Stores - Chairman, CEO & President*

Okay. (Inaudible) if you take the four quadrants and if you're going to do a little professor thing in teaching about retail; and you go down here in the lower right, if you were where Wal-Mart exists, that's all about price. And they do it very well, by the way. And I said from day one, we're not going down there. That's suicide.

You can't stay in the middle. You get run over there, I believe. In fact, a lot of retailers were trying to do that when Wal-Mart first went into the picture and they all got beat up.

You get this upper left-hand quadrant there, Publix was there. It's all about quality. It's all about service; it's about the good things. There is plenty of room to operate up there. That's where Winn-Dixie is moving to.

We're down here in the middle, there seems to be a whole lot of (inaudible); as you indicated, okay? But we're moving up here. There's profitability there, so you can run a good store. There are plenty of people that want that proposition.

But if we address the opportunity, we put [$7] million back into labor in our stores. I don't think you'll find another retailer in America who has done that. In the prior presentation I heard about cutting costs and cutting costs and cutting costs. We can't win by cutting costs all the time. You've got to be able to stay on top of your costs, but you've got to put service into that program because that's how you execute. That's how you can drive fresh department. That's how you can have a store so when you come into it to shop, you don't go away feeling bad about the experience. You feel good about the experience.

So we feel-- yeah, Wal-Mart owns this one down here, this grid. But we feel that there's plenty of room up here in the left-hand quadrant and that's where we're going to operate going forward. And that's all about being local, that's all about being fresh, and having good service and remodeling new stores so we're proud of them and the customer feels good about shopping there. It's when they walk through that front door, they go-wow. And more importantly, when they leave they talk to their neighbor and say-- hey, Winn-Dixie is a pretty good place to shop. You ought to try it. And that's happening now today at Winn-Dixie. Next question--

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Unidentified Audience Member

Can you discuss private label trends? Do you see consumers trading down and is it mostly being food and if you go to the higher-end grocery store type of model, does private label have a presence there?

Peter Lynch - *Winn-Dixie Stores - Chairman, CEO & President*

Well, the question is all about-- is our customers trading down and how does private label enter into this process. As I said to you earlier, our whole program; timing couldn't be better for introducing this. We do see the consumer trading down. I think it's just common sense. And if you get an offering there that's quality, the consumer is going to jump into that.

So our trend; what we've experienced so far, they are doing the trade downs. And we think it's going to play out very, very well for us. But lots of stores; this whole new labeling that we're doing, I talk to the dairy clerk or the frozen food clerk or the grocery clerk and say-- how is this new private label stuff doing? The other day I had one of the clerks turn around and say-- Peter, we loved the old package. And I could see there was still some old stuff on the shelf and the new stuff. She said-- that old stuff didn't sell. She said-- this new stuff sells.

So not only are they trading, but we think our offering now is so much better positioned for the consumer that it's a big upside for us. So private labels in these days, is good; we'll increase our share on that. I think-- and I think the question was asked if you were in the room in the prior meeting, something about the manufacturers and what's going to put pressure on them to stop putting price increases--? The manufacturers are all about share, guys. And the worst thing they ever want to see is their share go down.

So as we increase private label penetration, I think it pushes them a little bit to back off some of these increases they've put through at a little bit more level playing field. So I think the market will help this thing think the right level as you go down the road from these influences. So I think it's a win-win for us.

Okay, in the back--?

Unidentified Audience Member

You just picked up on the question I'd asked in the prior presentation. So from your perspective, have your vendors been-- are they realistic about the consumer's ability to absorb more increases and I'll ask you the same question. Look at the margins for the food manufacturers, you margins and the consumers; and who is going to take the hit?

Peter Lynch - *Winn-Dixie Stores - Chairman, CEO & President*

Well, first of all, that question ought to be addressed to the manufacturer because they're the expert there. But I believe the market forces will work and I believe that the consumer is trading down. So if they trade down into our private label, then the manufacturer loses share. And when they go back to their headquarters and look at the share being lost, I don't think they're going to be thinking too hard about pushing through some more increases. They've got to figure out either how to get costs out of the business, or stop the increases or give up better funding to drive those sales.

So I think what's happening out there; the market forces are forcing manufacturers to re-think what they're doing, okay-- and provide us a better platform to drive their sales for them as well.

Unidentified Audience Member

Are you on the same page as the manufacturers in terms of retail pricing? Do you feel like you've got the same view in terms of what the consumer can absorb?

Peter Lynch - *Winn-Dixie Stores - Chairman, CEO & President*

Well, so far, I think the group prior to us answered it right. We've been able to pass along the increases. And I think the trick on this whole thing is the front side of it. You want to get that passed along as soon as you can so it doesn't hurt you. The trick then is on the back side, because typically these things come down as an opportunity to make even more margins on the back side. We are very focused. We've got transparency. We know where that is.

The other thing I'd tell you is we're starting to see some price cost decreases out there. Milk; we just decreased milk I think 20 cents in many of our stores. Milk pricing is coming down. We've seen some deflation in pork. So we're starting to see some stuff on the other side of this thing that we didn't see back in the fall. So, there will be opportunities both ways. I think it rationalizes itself at the end of the day.

Next question--

Unidentified Audience Member

I think you might have had this question before. But when you came out of bankruptcy, you got rid of about half of your stores and your profitability is still way below where probably a lot of people would have expected it to be, given that you were able to shed all of those unprofitable stores. I was wondering if you could explain it both in terms of whether your infrastructure is still too large or too costly or the remaining stores you decided to keep are well below the levels of profitability that they should be at.

Peter Lynch - *Winn-Dixie Stores - Chairman, CEO & President*

Okay. First of all, profitability today I think has exceeded my expectations, being four quarters out of Chapter 11. Two, we took about $100 million worth of expenses out of our Company when we were in Chapter 11. We put all the stores through a filter. And we put them through a filter, we kept some stores that were not making money prior to Chapter 11 because we knew that if we got the right market share in those markets, if we got the right mix of products in those stores, put the CapEx program into them, it would then flow into profitability. So again, we're in the early stages of the turnaround, we haven't got the CapEx to many of those stores yet. But as we put it through that whole equation, those stores will then go from perhaps probably not making a profit, to then becoming profitable for the Company.

It also has a big thing to do with getting the margins in the entire Company right. As you saw before, they were wrong. I told you about that. We're getting them back to where they need to be for profitability for the business.

So a bunch of factors will work for them. Number one, we put them through a filter before we came out of 11 to make sure we have the right stores, so we got the right ones; two, as our overall margin for the Company gets to a level where it should be, as we start to drive more sales with the brand and as we put CapEx into those stores, they will then [float] into the profitability level.

Unidentified Audience Member

On the infrastructure; it's where you want it to be-- the overhead?

Peter Lynch - *Winn-Dixie Stores - Chairman, CEO & President*

I think there are always times to look at that and we can always make some changes to it, but the major cuts in infrastructure are out of the business today. And we will continue to tweak that thing as we go along.

This whole program is really, as I said early on, is based on sales. As you drive the sales, this leverages down to the bottom line. We will not be increasing on our expenses. We've got sales per square foot that is well under the industry average. So as we get this thing closer, that turns that whole profitability position around.

Unidentified Audience Member

Just to follow up on that quickly; of the stores you kept, what percentage of them were unprofitable and how many have kicked over to profitability in the last four quarters, recognizing it's still early--?

Peter Lynch - *Winn-Dixie Stores - Chairman, CEO & President*

We've never given out that number, so we're not going to give that out today. What I can tell you is the trend is they're moving toward profitability. A number of them have gotten that way. We actually view them-- I don't know if anybody else does this in the industry-- every quarter myself, Bennett and Dan go out and meet with each one of the district managers by the region and we go through each one of the stores that are not making profitability. And they are accountable for what they have done this quarter versus last quarter. I believe in book ends, I believe in accountability; it's also a training process for the new DMs to understand better how to get a store from being unprofitable to profitable; so a major league focus on it.

At those same meetings, we'll also spend part of the meeting on the stores that we've remodeled, because I want to talk about how do we take that remodel store and now drive that to the ROI numbers that we need to get to do the pay back on the back side. So a lot of what we do is teaching and training and elevating the level of expectation out there. Because that's what a lot of companies miss. People just don't understand how to take store and take it from being a non-profitable store to a profitable store. And as we do this teaching and training, we are making some huge, huge increases in these stores. It's a very, very good process at Winn-Dixie today.

Unidentified Audience Member

Just to follow up quickly, have you closed any stores in the past four quarters since you came out that you had not anticipated closing?

Peter Lynch - *Winn-Dixie Stores - Chairman, CEO & President*

We closed a couple, Bennett? Just two--? Yeah. They were at the end of their leases. They hadn't gotten to where we thought they would get or some competition came or something and it was just a no-brainer. But any good company will close five, six or ten stores a year. It's just a natural process. You need to do that.

Unidentified Participant

I can't see the-- the time's up? Thank you. Thanks, everybody.

Peter Lynch - *Winn-Dixie Stores - Chairman, CEO & President*

Thank you.
