RITE AID CORP
Form 425
June 27, 2018

Filed by Rite Aid Corporation

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

under the Securities and Exchange Act of 1934

Subject Company: Rite Aid Corporation

Commission File No.: 001-05742

On June 27, 2018, Rite Aid Corporation (the "Company") filed a Current Report on Form 8-K with the following information:

On June 27, 2018, the Company reported its financial position and results of operations as of and for the thirteen week period ended June 2, 2018. The press release includes the non-GAAP financial measures, "Adjusted EBITDA," "Adjusted Net Income (Loss)," "Adjusted Net Income (Loss) per Diluted Share," "Pro-Forma Adjusted EBITDA," "Adjusted EBITDA Gross Profit" and "Adjusted EBITDA SG&A." The Company uses these non-GAAP measures in assessing its performance in addition to net income, gross profit and revenue, the most directly comparable GAAP financial measures. Reconciliations of: (i) Adjusted EBITDA, Adjusted Net Income (Loss), Adjusted Net Income (Loss) per Diluted Share and Pro-Forma Adjusted EBITDA to net income, (ii) Adjusted EBITDA Gross Profit to gross profit, and (iii) Adjusted EBITDA SG&A to revenue, are included in the press release, which is furnished as Exhibit 99.1 hereto.

The Company believes Adjusted EBITDA serves as an appropriate measure in evaluating the performance of its business and helps its investors better compare the Company's operating performance with its competitors. The Company defines Adjusted EBITDA as net income (loss) excluding the impact of income taxes, interest expense, depreciation and amortization, LIFO adjustments, charges or credits for facility closing and impairment, inventory write-downs related to store closings, debt retirements, the previously received Walgreens Boots Alliance merger termination fee, and other items (including stock-based compensation expense, merger and acquisition-related costs, severance and costs related to distribution center closures, gain or loss on sale of assets and revenue deferrals related to the Company's customer loyalty program). The Company references this non-GAAP financial measure frequently in its decision-making because it provides supplemental information that facilitates internal comparisons to historical periods and external comparisons to competitors. In addition, incentive compensation is based in part on Adjusted EBITDA and the Company bases certain of its forward-looking estimates and budgets on Adjusted EBITDA.

The Company defines Adjusted Net Income (Loss) as net income (loss) excluding the impact of amortization of EnvisionRx intangible assets, merger and acquisition-related costs, loss on debt retirements, LIFO adjustments, and the previously received Walgreens Boots Alliance, Inc. (“WBA”) merger termination fee. The Company calculates Adjusted Net Income (Loss) per Diluted Share using the Company’s above-referenced definition of Adjusted Net Income (Loss). The Company believes Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Diluted Share serve as appropriate measures to be used in evaluating the performance of its business and help its investors better compare the Company’s operating performance over multiple periods.

The Company believes that Pro Forma Adjusted EBITDA is beneficial to investors to reflect what the Company’s financial results would have been had it received all of the fees that it would have earned pursuant to the Transition Services Agreement (the “TSA”) with WBA for the relevant period. The Company defines Pro Forma Adjusted EBITDA as Adjusted EBITDA plus the fees that would have been earned under the TSA with WBA for the relevant period, and in order to improve comparability, Pro Forma Adjusted EBITDA further adjusts results so that periods contain the same number of weeks.

In addition to Adjusted EBITDA, Adjusted Net Income (Loss), Adjusted Net Income (Loss) per Diluted Share and Pro Forma Adjusted EBITDA, the Company occasionally refers to several other non-GAAP measures, on a less frequent basis, in order to describe certain components of the Company's business and how the Company utilizes them to describe its results.

These measures include Adjusted EBITDA Gross Profit (gross profit excluding non-Adjusted EBITDA items) and Adjusted EBITDA SG&A (SG&A expenses excluding non-Adjusted EBITDA items).

Adjusted EBITDA, Adjusted Net Income (Loss), Adjusted Net Income (Loss) per Diluted Share, Pro Forma Adjusted EBITDA, Adjusted EBITDA Gross Profit and Adjusted EBITDA SG&A should not be considered in isolation from, and are not intended to represent alternative measures of, operating results or of cash flows from operating activities, as determined in accordance with GAAP. The Company's definitions of Adjusted EBITDA, Adjusted Net Income (Loss), Adjusted Net Income (Loss) per Diluted Share, Pro Forma Adjusted EBITDA, Adjusted EBITDA Gross Profit and Adjusted EBITDA SG&A may not be comparable to similarly titled measurements reported by other companies or similar terms in the Company's debt facilities.

In addition, a copy of the Company's Earnings Release Supplement for the first quarter of fiscal 2019 is being furnished as Exhibit 99.2 to this Form 8-K.

The information (including Exhibits 99.1 and 99.2) being furnished pursuant to this "Item 2.02. Results of Operations and Financial Condition" shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities of that section and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Act, or the Exchange Act regardless of any general incorporation language in such filing.

Exhibit 99.1

Press Release

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FOR IMMEDIATE RELEASE

Rite Aid Reports Fiscal 2019 First Quarter Results

- **First Quarter Net Loss from Continuing Operations of $41.7 Million or $0.04 Per Share, Compared to the Prior Year First Quarter Net Loss of $36.0 Million or $0.03 Per Share**

- **First Quarter Adjusted Net Loss from Continuing Operations Per Share of $0.01, Compared to the Prior Year First Quarter Adjusted Net Loss Per Share of $0.01**

- **First Quarter Adjusted EBITDA from Continuing Operations of $147.3 Million, Compared to the Prior Year Adjusted EBITDA from Continuing Operations of $136.0 Million and Prior Year Pro-forma Adjusted EBITDA from Continuing Operations of $160.0 Million**

- **First Quarter Retail Pharmacy Segment Adjusted EBITDA Improved $2.1 Million Compared to the Prior Year First Quarter Pro-forma Adjusted EBITDA**

- **Rite Aid Confirms Fiscal 2019 Outlook**

CAMP HILL, Pa. (June 27, 2018) - Rite Aid Corporation (NYSE: RAD) today reported operating results for its first fiscal quarter ended June 2, 2018.

For the first quarter, the company reported net loss from continuing operations of $41.7 million, or $0.04 per share, Adjusted net loss from continuing operations of $11.5 million, or $0.01 per share, and Adjusted EBITDA from continuing operations of $147.3 million, or 2.7 percent of revenues.

For the first quarter of fiscal 2019, the company reported net income of $214.4 million, or $0.20 per share. Net income for the first quarter included an after-tax gain of approximately $268.6 million relating to the sale of 281 stores to Walgreens Boots Alliance, Inc. ("WBA"), which completed the sale of stores and related assets to WBA. The sale of the three distribution centers and related inventory is expected to occur after September 1, 2018. As a result of the proceeds received from the store sales, Rite Aid's debt, net of cash, was $3.0 billion as of June 2, 2018.

"During the first quarter our Retail Pharmacy Segment delivered strong results with an increase in Adjusted EBITDA compared to the prior year for the second consecutive quarter, while our Pharmacy Services Segment results reflect the operating investments we made to support growth," said Rite Aid Chairman and CEO John Standley. "As we continue to focus on taking care of our customers and executing our stand alone strategy, we have the opportunity to further accelerate our strategy by combining with Albertsons to create a truly differentiated leader in food, health and wellness. This combination will enhance our scale and density to better compete in existing markets, give us access to new markets, significantly improve our omni-channel capabilities and create the opportunity to achieve substantial cost synergies and revenue growth, all of which will strengthen our financial profile and position us to deliver compelling long-term value for customers and shareholders."

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Rite Aid President and Chief Operating Officer Kermit Crawford added: “In the first quarter, we continued making progress in building momentum for key areas of our business, including improvement in pharmacy gross margin and the successful relaunch of our customer loyalty program wellness+ rewards. As we continue to implement our new strategy, we’re excited about the unique opportunity we have to significantly grow our business through a combination with Albertsons, which will give us access to nearly 1,800 additional pharmacy counters, innovative and healthy new own brand products like *O* Organics® and Open Nature™ as well as provide new levers for growth for our EnvisionRxOptions PBM and RediClinic.”

First Quarter Summary

Revenues from continuing operations for the quarter were $5.4 billion compared to revenues from continuing operations of $5.4 billion in the prior year’s first quarter. Retail Pharmacy Segment revenues were $3.9 billion and decreased 1.9 percent compared to the prior year period due to store closures and a decline in same store sales. Revenues in the Pharmacy Services Segment were $1.5 billion, an increase of 2.0 percent compared to the prior year period, which was due to an increase in Medicare Part D membership.

Same store sales from Retail Pharmacy continuing operations for the quarter decreased 0.7 percent compared to the prior year, consisting of a 1.8 percent decrease in front-end sales and 0.1 percent decrease in pharmacy sales. Pharmacy sales included an approximate 133 basis point negative impact from new generic introductions. The number of prescriptions filled in same stores, adjusted to 30-day equivalents, decreased 1.5 percent compared to the prior year period due primarily to exclusion from certain pharmacy networks that Rite Aid participated in during the prior year. Prescription sales from continuing operations accounted for 66.4 percent of total drugstore sales.

Net loss from continuing operations was $41.7 million or $0.04 per share compared to last year’s first quarter net loss from continuing operations of $36.0 million or $0.03 per share. The decline in operating results was due primarily to higher interest expense, higher lease termination and impairment charges, and higher transaction costs, partially offset by an increase in Adjusted EBITDA.

Adjusted EBITDA from continuing operations was $147.3 million or 2.7 percent of revenues for the first quarter compared to Adjusted EBITDA from continuing operations of $136.0 million or 2.5 percent of revenues for the same period last year, an increase of $11.3 million. Prior year Adjusted EBITDA from continuing operations does not include $24.0 million of fees that would have been earned if all of the stores being sold to WBA were supported under the TSA for that period. Fiscal 2018 first quarter Pro-forma Adjusted EBITDA from continuing operations would have been $160.0 million after adjusting for these fees. First quarter Adjusted EBITDA from continuing operations declined $12.7 million compared to the prior year Pro-forma Adjusted EBITDA from continuing operations for the same period. The retail pharmacy segment Adjusted EBITDA from continuing operations increased $2.1 million due to strong pharmacy gross margin and good expense management, but was more than offset by a decline of $14.7 million in the pharmacy services segment. The decline in the pharmacy services segment results was driven by margin compression in the company's commercial business and other operating investments to support current year and future growth.

In the first quarter, the company remodeled 49 stores, bringing the total number of wellness stores chainwide to 1,694. During the first quarter, the company sold 281 stores to WBA and closed 17 stores, resulting in a total store count of 2,533 at the end of the first quarter.

Outlook for Fiscal 2019

Rite Aid is confirming its fiscal 2019 outlook. The company's outlook is based on the anticipated benefits from a reimbursement rate environment that is more stable than fiscal 2018, TSA fees under the agreement with WBA, generic drug purchasing efficiencies, and other initiatives to grow sales and drive operational efficiencies. The outlook provided herein does not reflect the impact of the pending transaction with Albertsons.

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Rite Aid expects sales to be between $21.7 billion and $22.1 billion in fiscal 2019 with same store sales expected to range from an increase of 0.0 percent to an increase of 1.0 percent over fiscal 2018.

Adjusted EBITDA (which is reconciled to net loss in the attached table) is expected to be between $615.0 million and $675.0 million.

Net loss is expected to be between $40.0 million and $95.0 million.

Adjusted net income per share is expected to be between $0.02 and $0.06.

Capital expenditures are expected to be approximately $250 million.

Rite Aid is one of the nation's leading drugstore chains with 2,533 stores in 19 states. Information about Rite Aid, including corporate background and press releases, is available through Rite Aid's website at www.riteaid.com.

Rite Aid Merger with Albertsons

As previously announced on February 20, 2018, Rite Aid and Albertsons entered into a definitive agreement under which Albertsons will merge with Rite Aid. The boards of directors of both companies have approved the transaction, and the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, has expired. The merger is expected to close in the second half of calendar year 2018, subject to the approval of Rite Aid's shareholders, regulatory approvals, and other customary closing conditions. The Special Meeting of Rite Aid Shareholders is scheduled for

August 9, 2018.

Conference Call Broadcast

Rite Aid will hold an analyst call at 5:00 p.m. Eastern Time today with remarks by Rite Aid's management team. The call will be simulcast via the internet and can be accessed at www.riteaid.com in the conference call section of investor information. A playback of the call will also be available by telephone beginning at 8:00 p.m. Eastern Time today until 11:59 p.m. Eastern Time on June 30, 2018. The playback number is 1-855-859-2056 from within the U.S. and Canada or 1-404-537-3406 from outside the U.S. and Canada with the eight-digit reservation number 5296939.

Cautionary Statement Regarding Forward-Looking Statements

Statements in this release that are not historical, are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements regarding Rite Aid’s outlook for fiscal 2019, the pending merger (the “Merger”) between Rite Aid and Albertsons Companies, Inc. (“Albertsons”); the expected timing of the closing of the Merger; the ability of the parties to complete the Merger considering the various closing conditions to the Merger; the ability of the parties to complete the distribution center closings considering the various closing conditions applicable to the distribution centers and related assets being transferred at such distribution center closings; the outcome of legal and regulatory matters in connection with the Merger; the expected benefits of the proposed Merger, integration plans, expected synergies and revenue opportunities, anticipated future financial and operating performance and results, including estimates for growth, the expected management and governance of the combined company; the competitive ability and position of Rite Aid following completion of the proposed transactions; the ability of Rite Aid to implement new business strategies following the completion of the proposed transactions and any assumptions underlying any of the foregoing. Words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “should,” and “will” and variations of such words and similar expressions are intended to identify such forward-looking statements.

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These forward-looking statements are not guarantees of future performance and involve risks, assumptions and uncertainties, including, but not limited to, our high level of indebtedness and our ability to make interest and principal payments on our debt and satisfy the other covenants contained in our debt agreements; general economic, industry, market, competitive, regulatory and political conditions; our ability to improve the operating performance of our stores in accordance with our long term strategy; the impact of private and public third-party payers continued reduction in prescription drug reimbursements and efforts to encourage mail order; our ability to manage expenses and our investments in working capital; outcomes of legal and regulatory matters; changes in legislation or regulations, including healthcare reform; our ability to achieve the benefits of our efforts to reduce the costs of our generic and other drugs; risks related to the pending transactions with WBA, including the possibility that the remaining transactions may not close, or the business of Rite Aid may suffer as a result of uncertainty surrounding the pending transactions; risks related to the expected timing and likelihood of completion of the pending Merger, including the risk that the Merger may not close due to one or more closing conditions to the Merger not being satisfied or waived, such as regulatory approvals not being obtained, on a timely basis or otherwise, or that a governmental entity prohibited, delayed or refused to grant approval for the consummation of the Merger or required certain conditions, limitations or restrictions in connection with such approvals, or that the required approval of the merger agreement by the stockholders of Rite Aid was not obtained; risks related to the ability to realize the anticipated benefits of the proposed transactions with Albertsons, including the risk that the combined company may be unable to achieve its guidance, its cost-cutting synergies, its incremental revenue opportunities or it may take longer or cost more than expected to achieve those synergies and opportunities; risks associated with the financing of the proposed transaction; risks related to diverting management's or employees' attention from ongoing business operations; the risk that any announcements relating to the Merger could have adverse effects on the market price of Rite Aid's common stock, and the risk that the Merger and its announcement could have an adverse effect on the ability of Rite Aid to retain customers and retain and hire key personnel and maintain relationships with their suppliers and customers and on their operating results and businesses generally; the risk that Rite Aid's stock price may decline significantly if the Merger or sale of distribution centers and related assets to WBA is not completed; the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement (including circumstances requiring Rite Aid to pay Albertsons a termination fee pursuant to the merger agreement); significant transaction costs; unknown liabilities; the risk of litigation and/or regulatory actions related to the proposed transactions; potential changes to our strategy in the event the remaining proposed transactions do not close, which may include delaying or reducing capital or other expenditures, selling assets or other operations, attempting to restructure or refinance our debt, or seeking additional capital, and other business effects. These and other risks, assumptions and uncertainties are more fully described in Item 1A (Risk Factors) of our most recent Annual Report on Form 10-K and in the definitive proxy statement/prospectus that was filed with the SEC on June 25, 2018 in connection with the Merger, and in other documents that we file or furnish with the Securities and Exchange Commission (the "SEC"), which you are encouraged to read. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. Accordingly, you are cautioned not to place undue reliance on these forward- looking statements, which speak only as of the date they are made. Rite Aid expressly disclaims any current intention to update publicly any forward-looking statement after the distribution of this release, whether as a result of new information, future events, changes in assumptions or otherwise.

Additional Information and Where to Find It

In connection with the Merger involving Rite Aid and Albertsons, Rite Aid and Albertsons have prepared a registration statement on Form S-4 that included a proxy statement/prospectus. The definitive proxy statement/prospectus was filed with the SEC on June 25, 2018. The registration statement has been declared effective by the SEC. Rite Aid has mailed the definitive proxy statement/prospectus and a proxy card to each stockholder entitled to vote at the special meeting relating to the Merger. Rite Aid and Albertsons also plan to file other relevant documents with the SEC regarding the Merger. INVESTORS ARE URGED TO READ THE DEFINITIVE PROXY STATEMENT/PROSPECTUS, AS WELL AS OTHER DOCUMENTS FILED WITH THE SEC, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. RITE AID'S EXISTING PUBLIC FILINGS WITH THE SEC SHOULD ALSO BE READ, INCLUDING THE RISK FACTORS CONTAINED THEREIN.

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Investors and security holders may obtain copies of the Form S-4, including the proxy statement/prospectus, as well as other filings containing information about Rite Aid, free of charge, from the SEC's website (www.sec.gov). Investors and security holders may also obtain Rite Aid's SEC filings in connection with the transaction, free of charge, from Rite Aid's website (www.RiteAid.com) under the link "Investor Relations" and then under the tab "SEC Filings," or by directing a request to Rite Aid, Byron Purcell, Attention: Senior Director, Treasury Services & Investor Relations. Copies of documents filed with the SEC by Albertsons will be made available, free of charge, on the SEC's website (www.sec.gov) and on Albertsons' website at www.albertsonscompanies.com.

Non-Solicitation

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

Reconciliation of Non-GAAP Financial Measures

The company separately reports financial results on the basis of Adjusted Net Income (Loss), Adjusted Net Income (Loss) per Diluted Share, Adjusted EBITDA and Pro-Forma Adjusted EBITDA which are non-GAAP financial measures. See the attached tables for a reconciliation of Adjusted Net Income (Loss), Adjusted Net Income (Loss) per Diluted Share, Adjusted EBITDA and Pro-Forma Adjusted EBITDA to net income (loss), and net income (loss) per diluted share, which are the most directly comparable GAAP financial measures. Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Diluted Share exclude amortization of EnvisionRx intangible assets, merger and acquisition-related costs, loss on debt retirements, LIFO adjustments, goodwill impairment and the Walgreens Boots Alliance, Inc. termination fee. Adjusted EBITDA is defined as net income (loss) excluding the impact of income taxes, interest expense, depreciation and amortization, LIFO adjustments, charges or credits for facility closing and impairment, goodwill impairment, inventory write-downs related to store closings, debt retirements, the Walgreens Boots Alliance, Inc. termination fee, and other items (including stock-based compensation expense, merger and acquisition-related costs, severance and costs related to distribution center closures, gain or loss on sale of assets and revenue deferrals related to our customer loyalty program).

The company's management team routinely evaluates how it measures the company's financial performance. In connection with such review, the company determined that it would be beneficial to investors to reflect what the company's financial results would have been had it received all of the fees that it would have earned pursuant to the TSA Agreement with WBA for the relevant period. As a result, the company hereby introduces the non-GAAP financial measure Pro Forma Adjusted EBITDA which is defined as Adjusted EBITDA plus the fees that would have been earned under the TSA, and in order to improve comparability, Pro Forma Adjusted EBITDA further adjusts results so that periods contain the same number of weeks.

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RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	June 2, 2018	March 3, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 147,092	$ 447,334
Accounts receivable, net	1,908,955	1,869,100
Inventories, net of LIFO reserve of $591,056 and $581,090	1,809,595	1,799,539
Prepaid expenses and other current assets	151,059	181,181
Current assets held for sale	179,442	438,137
Total current assets	4,196,143	4,735,291
Property, plant and equipment, net	1,401,924	1,431,246
Goodwill	1,421,120	1,421,120
Other intangibles, net	568,920	590,443
Deferred tax assets	522,674	594,019
Other assets	218,672	217,208
Total assets	$ 8,329,453	$ 8,989,327
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	$ 19,025	$ 20,761
Accounts payable	1,767,777	1,651,363
Accrued salaries, wages and other current liabilities	1,030,292	1,231,736
Current liabilities held for sale	-	560,205
Total current liabilities	2,817,094	3,464,065
Long-term debt, less current maturities	3,134,704	3,340,099
Lease financing obligations, less current maturities	28,874	30,775
Other noncurrent liabilities	536,470	553,378
Total liabilities	6,517,142	7,388,317
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock	1,067,197	1,067,318
Additional paid-in capital	4,855,901	4,850,712
Accumulated deficit	(4,076,602)	(4,282,471)
Accumulated other comprehensive loss	(34,185)	(34,549)
Total stockholders' equity	1,812,311	1,601,010

Total liabilities and stockholders' equity	$ 8,329,453	$ 8,989,327

Chart 1

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

(unaudited)

	Thirteen weeks ended June 2, 2018	Thirteen weeks ended June 3, 2017
Revenues	$ 5,388,490	$ 5,436,523
Costs and expenses:		
Cost of revenues	4,219,741	4,274,580
Selling, general and administrative expenses	1,152,627	1,160,940
Lease termination and impairment charges	9,859	4,038
Interest expense	62,792	51,000
Loss on debt retirements, net	554	-
Gain on sale of assets, net	(5,859)	(5,877)
	5,439,714	5,484,681
Loss from continuing operations before income taxes	(51,224)	(48,158)
Income tax benefit	(9,497)	(12,121)
Net loss from continuing operations	(41,727)	(36,037)
Net income (loss) from discontinued operations, net of tax	256,143	(39,312)
Net income (loss)	$ 214,416	$ (75,349)
Basic and diluted income (loss) per share:		
Numerator for income (loss) per share:		
Net loss from continuing operations attributable to common stockholders - basic and diluted	$ (41,727)	$ (36,037)
Net income (loss) from discontinued operations attributable to common stockholders - basic and diluted	256,143	(39,312)
Income (loss) attributable to common stockholders - basic and diluted	$ 214,416	$ (75,349)
Denominator:		
Basic and diluted weighted average shares	1,054,381	1,046,826
Basic and diluted income (loss) per share		
Continuing operations	$ (0.04)	$ (0.03)
Discontinued operations	$ 0.24	$ (0.04)
Net basic and diluted income (loss) per share	$ 0.20	$ (0.07)

Chart 2

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL SEGMENT OPERATING INFORMATION

(Dollars in thousands)

(unaudited)

	Thirteen weeks ended June 2, 2018		Thirteen weeks ended June 3, 2017	
Retail Pharmacy Segment				
Revenues from continuing operations (a)	$ 3,897,765		$ 3,972,351	
Cost of revenues from continuing operations (a)	2,828,308		2,915,380	
Gross profit from continuing operations	1,069,457		1,056,971	
LIFO charge from continuing operations	9,966		10,173	
FIFO gross profit from continuing operations	1,079,423		1,067,144	
Gross profit as a percentage of revenues - continuing operations	27.44	%	26.61	%
LIFO charge as a percentage of revenues - continuing operations	0.26	%	0.26	%
FIFO gross profit as a percentage of revenues - continuing operations	27.69	%	26.86	%
Selling, general and administrative expenses from continuing operations	1,064,387		1,082,041	
Selling, general and administrative expenses as a percentage of revenues - continuing operations	27.31	%	27.24	%
Cash interest expense	62,901		104,423	
Non-cash interest expense	4,506		5,476	
Total interest expense	67,407		109,899	
Interest expense - continuing operations	62,792		50,962	
Interest expense - discontinued operations	4,615		58,937	
Adjusted EBITDA - continuing operations	113,469		87,365	
Adjusted EBITDA as a percentage of revenues - continuing operations	2.91	%	2.20	%
Pharmacy Services Segment				
Revenues (a)	$ 1,542,762		$ 1,513,241	
Cost of revenues (a)	1,443,470		1,408,269	
Gross profit	99,292		104,972	

Gross profit as a percentage of revenues	6.44	%	6.94	%
Adjusted EBITDA	33,863		48,599	