RITE AID CORP

FORM 8-K
(Current report filing)

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Address	1200 INTREPID AVENUE, 2ND FLOOR PHILADELPHIA, PA, 19112
Telephone	7177612633
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Industry	Drug Retailers
Sector	Consumer Non-Cyclicals
Fiscal Year	03/02

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): **December 19, 2019**

Rite Aid Corporation
(Exact name of registrant as specified in its charter)

Delaware	**1-5742**	**23-1614034**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification Number)

30 Hunter Lane, Camp Hill, Pennsylvania 17011
(Address of principal executive offices, including zip code)

(717) 761-2633
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $1.00 par value	RAD	The New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On December 19, 2019, Rite Aid Corporation (the "Company") reported its financial position and results of operations as of and for the thirteen and thirty-nine week periods ended November 30, 2019. The press release includes the non-GAAP financial measures, "Adjusted EBITDA," "Adjusted Net Income (Loss)" and "Adjusted Net Income (Loss) per Diluted Share." The Company uses these non-GAAP measures in assessing its performance in addition to net income, the most directly comparable GAAP financial measure. Reconciliations of Adjusted EBITDA, Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Diluted Share to net income and net income (loss) per diluted share, the most directly comparable GAAP financial measures, 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, goodwill and intangible asset impairment charges, inventory write-downs related to store closings, gains or losses on debt retirements, the WBA merger termination fee, and other items (including stock-based compensation expense, merger and acquisition-related costs, a non-recurring litigation settlement, severance and costs related to facility closures and gain or loss on sale of assets). The current calculation of Adjusted EBITDA reflects a modification made in the second quarter of fiscal 2019 to eliminate the add back of revenue deferrals related to our customer loyalty program and to present amounts previously included within other as separate reconciling items. 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 amortization expense, merger and acquisition-related costs, a non-recurring litigation settlement, gains or losses on debt retirements, LIFO adjustments, goodwill and intangible asset impairment charges and the WBA merger termination fee. The current calculations of Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Diluted Share reflect a modification made in the second quarter of fiscal 2019 to add back all amortization expenses rather than the amortization of EnvisionRx intangible assets only. 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.

In addition, the add back of LIFO (credit) charge when calculating Adjusted EBITDA, Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Diluted Share removes the entire impact of LIFO (credits) charges, and effectively reflects Rite Aid's results as if the company was on a FIFO inventory basis.

Adjusted EBITDA, Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Diluted Share 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) and Adjusted Net Income (Loss) per Diluted Share 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 third quarter of fiscal 2020 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.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

99.1	Press Release, dated December 19, 2019.
99.2	Third Quarter Fiscal 2020 Supplemental Information.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

RITE AID CORPORATION

Dated: December 19, 2019

By: /s/ James J. Comitale

Name: James J. Comitale

Title: Executive Vice President, General Counsel & Secretary

Exhibit 99.1

Press Release
For Further Information Contact:

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FOR IMMEDIATE RELEASE

Rite Aid Corporation Reports Fiscal 2020 Third Quarter Results

- **Third Quarter Net Income from Continuing Operations of $52.3 Million or $0.98 Per Share, Compared to the Prior Year Third Quarter Net Loss of $17.3 Million or $0.33 Per Share**

- **Third Quarter Adjusted Net Income from Continuing Operations of $29.1 Million or $0.54 Per Share, Compared to the Prior Year Third Quarter Adjusted Net Income of $14.7 Million or $0.28 Per Share**

- **Third Quarter Adjusted EBITDA from Continuing Operations of $158.1 Million, Compared to the Prior Year Third Quarter Adjusted EBITDA of $142.8 Million**
    - **Improved Adjusted EBITDA in both the Retail Pharmacy and Pharmacy Services Segments**

- **Achieved Growth in Both Same Store Front-End Sales (Excluding Cigarettes and Tobacco Products) and Same Store Prescription Volume**

CAMP HILL, Pa. (Dec. 19, 2019) - Rite Aid Corporation (NYSE: RAD) today reported operating results for its third fiscal quarter ended November 30, 2019.

For the third quarter, the company reported net income from continuing operations of $52.3 million, or $0.98 per share, Adjusted net income from continuing operations of $29.1 million, or $0.54 per share, and Adjusted EBITDA from continuing operations of $158.1 million, or 2.9 percent of revenues.

“Our team delivered a strong quarter that provides us with momentum as we prepare to roll out our long-term strategy and position Rite Aid Corporation as an innovative leader in our industry,” said Rite Aid Corporation CEO Heyward Donigan. “Adjusted EBITDA grew in our retail business due to tight expense control and prescription count growth in our retail pharmacies, which benefited from solid growth in immunizations. At the same time, we saw improved pharmacy network management at EnvisionRxOptions.

“While we are pleased with these results, we have important work ahead of us to put our company on a path to long-term sustainable growth. We will soon reveal our comprehensive strategy that revitalizes Rite Aid retail pharmacies as fresh and relevant, leveraging the trust and expertise of our pharmacists in meeting the unique health and wellbeing needs of our communities. We are also investing in the expansion and integration of EnvisionRxOptions, particularly its services, technologies and clinical offerings. This will provide us scale to deliver lower total cost of care, an enhanced client experience and heightened consumer engagement. We are making great progress, and we are excited to share more details at our upcoming Analyst Day on March 16.”

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Third Quarter Summary

Revenues from continuing operations for the quarter were $5.46 billion compared to revenues from continuing operations of $5.45 billion in the prior year's quarter. Retail Pharmacy Segment revenues were $3.91 billion and decreased 1.7 percent compared to the prior year period due to a reduction in store count. Revenues in the Pharmacy Services Segment were $1.61 billion, an increase of 5.7 percent compared to the prior year period, which was due to an increase in Medicare Part D membership.

Retail Pharmacy Segment same store sales from continuing operations for the third quarter decreased 0.1 percent over the prior year period, consisting of a 0.1 percent increase in pharmacy sales and a 0.5 percent decrease in front-end sales. Front-end same store sales, excluding cigarettes and tobacco products, increased 1.0 percent. Pharmacy sales were negatively impacted by approximately 331 basis points as a result of new generic introductions. The number of prescriptions filled in same stores, adjusted to 30-day equivalents, increased 2.8 percent over the prior year period resulting primarily from the company's continued emphasis on driving clinical services, including immunizations. Prescription sales from continuing operations accounted for 67.7 percent of total drugstore sales.

Net income from continuing operations was $52.3 million or $0.98 per share compared to last year's third quarter net loss from continuing operations of $17.3 million or $0.33 per share. The increase in net income was due primarily to a $55.7 million gain on debt retirements and an increase in Adjusted EBITDA.

Adjusted EBITDA from continuing operations was $158.1 million or 2.9 percent of revenues for the third quarter compared to last year's third quarter Adjusted EBITDA from continuing operations of $142.8 million or 2.6 percent of revenues, an increase of $15.3 million. Retail Pharmacy Segment Adjusted EBITDA from continuing operations increased $7.4 million due to strong labor and benefits expense control. These improvements were partially offset by a reduction in gross profit and a reduction in Transition Service Agreement fee income from Walgreens Boots Alliance. The Pharmacy Services Segment Adjusted EBITDA increased $7.9 million compared to the prior year due to improvements in pharmacy network management.

Outlook for Fiscal 2020

Rite Aid Corporation is updating its fiscal 2020 outlook, which includes narrowing its guidance for Adjusted EBITDA. The company's outlook assumes continued prescription count growth, improvements in generic drug costs and strong SG&A expense control, offset by a decline in prescription reimbursement rates. The fiscal 2020 guidance for EnvisionRxOptions assumes sustained improvements in pharmacy network management and initial results of SG&A reduction, benefits integration and restructuring initiatives.

Rite Aid Corporation expects revenues to be between $21.5 billion and $21.9 billion in fiscal 2020 with same store sales expected to range from an increase of 0.0 percent to an increase of 1.0 percent over fiscal 2019.

Net loss is expected to be between $174.0 million and $204.0 million.

Adjusted EBITDA is expected to be between $515.0 million and $545.0 million.

Adjusted net income per share is expected to be between $0.13 and $0.55.

Capital expenditures are expected to be approximately $230 million.

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Conference Call Broadcast

Rite Aid Corporation will hold an analyst call at 8:30 a.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 12:00 p.m. Eastern Time today until 11:59 p.m. Eastern Time on Dec. 21, 2019. 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 reservation number 6188277.

About Rite Aid Corporation

Rite Aid Corporation is on the front lines of delivering health care services and retail products to over 1.6 million Americans daily. Our pharmacists are uniquely positioned to engage with customers and improve their health outcomes. We provide an array of whole being health products and services for the entire family through over 2,400 retail pharmacy locations across 18 states. Through EnvisionRxOptions, we also deliver pharmacy benefit management to approximately 1,900 clients and 3.4 million members. For more information, visit www.riteaid.com.

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 and guidance for fiscal 2020; Rite Aid's competitive position and ability to realize its growth initiatives and operating efficiencies; 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.

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 ongoing 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 sale of the remaining Rite Aid distribution center and related assets to Walgreens Boots Alliance, Inc. ("WBA"), including the possibility that the transaction may not close due to the failure to satisfy the minimal remaining conditions; our ability to successfully achieve benefits from our leadership transition plan and organizational restructuring, including managing the transition to our new chief executive officer and other management; the potential for operational disruptions due to, among other things, concerns of management, employees, current and potential customers, other third parties with whom we do business and shareholders; the success of any changes to our business strategy that may be implemented under our new chief executive officer and other management; our ability to achieve cost savings through the organizational restructurings within the anticipated timeframe, if at all; possible changes in the size and components of the expected costs and charges associated with the organizational restructuring plan; and the outlook for and future growth of the Company.

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 other documents that we file or furnish with the Securities and Exchange Commission, which you are encouraged to read.

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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.

Reconciliation of Non-GAAP Financial Measures

Rite Aid separately reports financial results on the basis of Adjusted Net Income (Loss), Adjusted Net Income (Loss) per Diluted Share and 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 and 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 expense, merger and acquisition-related costs, non-recurring litigation settlement, gains and losses on debt retirements, LIFO adjustments, goodwill and intangible asset impairment charges, restructuring-related costs and the WBA merger termination fee. The current calculations of Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Diluted Share reflect a modification made in the second quarter of fiscal 2019 to add back all amortization expenses rather than the amortization of EnvisionRx intangible assets only. 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 and intangible asset impairment charges, inventory write-downs related to store closings, gains or losses on debt retirements, the WBA merger termination fee, and other items (including stock-based compensation expense, merger and acquisition-related costs, non-recurring litigation settlement, severance, restructuring-related costs and costs related to facility closures and gain or loss on sale of assets). The current calculation of Adjusted EBITDA reflects a modification made in the second quarter of fiscal 2019 to eliminate the add back of revenue deferrals related to our customer loyalty program and to present amounts previously included within other as separate reconciling items. We further note that the add back of LIFO (credit) charge when calculating Adjusted EBITDA, Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Diluted Share removes the entire impact of LIFO (credits) charges, and effectively reflects Rite Aid's results as if the company was on a FIFO inventory basis.

In addition to Adjusted EBITDA, Adjusted Net (Loss) Income and Adjusted Net (Loss) Income per Diluted Share, we occasionally refer to several other Non-GAAP measures, on a less frequent basis, in order to describe certain components of our business and how we utilize them to describe our results. Adjusted EBITDA Gross Profit includes LIFO adjustments, depreciation and amortization (COGS portion only) and other items. The presentation includes a reconciliation of Adjusted EBITDA Gross Profit to Revenue, which is the most directly comparable GAAP financial measure. Adjusted EBITDA SG&A excludes depreciation and amortization (SG&A portion only), stock-based compensation expense, merger and acquisition-related costs, litigation settlement, restructuring-related costs and other items. The presentation includes a reconciliation of Adjusted EBITDA SG&A to Revenue, which is the most directly comparable GAAP financial measure.

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RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(unaudited)

	November 30, 2019	March 2, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 289,498	$ 144,353
Accounts receivable, net	1,689,838	1,788,712
Inventories, net of LIFO reserve of $611,997 and $604,444	1,957,045	1,871,941
Prepaid expenses and other current assets	178,292	179,132
Current assets held for sale	101,594	117,581
Total current assets	4,216,267	4,101,719
Property, plant and equipment, net	1,254,234	1,308,514
Operating lease right-of-use assets	2,935,104	-
Goodwill	1,108,136	1,108,136
Other intangibles, net	374,660	448,706
Deferred tax assets	382,105	409,084
Other assets	158,285	215,208
Total assets	$ 10,428,791	$ 7,591,367
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	$ 9,486	$ 16,111
Accounts payable	1,534,302	1,618,585
Accrued salaries, wages and other current liabilities	806,739	808,439
Current portion of operating lease liabilities	493,699	-
Current liabilities held for sale	42,422	-
Total current liabilities	2,886,648	2,443,135
Long-term debt, less current maturities	3,566,261	3,454,585
Long-term operating lease liabilities	2,732,339	-
Lease financing obligations, less current maturities	20,607	24,064
Other noncurrent liabilities	207,078	482,893
Total liabilities	9,412,933	6,404,677
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock	54,862	54,016
Additional paid-in capital	5,888,870	5,876,977
Accumulated deficit	(4,897,473)	(4,713,244)
Accumulated other comprehensive loss	(30,401)	(31,059)
Total stockholders' equity	1,015,858	1,186,690
Total liabilities and stockholders' equity	$ 10,428,791	$ 7,591,367

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)
(unaudited)

	Thirteen weeks ended November 30, 2019	Thirteen weeks ended December 1, 2018
Revenues	$ 5,462,298	$ 5,450,060
Costs and expenses:		
Cost of revenues	4,273,323	4,267,972
Selling, general and administrative expenses	1,134,854	1,142,555
Lease termination and impairment charges	166	2,628
Interest expense	57,856	56,008
Gain on debt retirements, net	(55,692)	-
Gain on sale of assets, net	(1,371)	(382)
	5,409,136	5,468,781
Income (loss) from continuing operations before income taxes	53,162	(18,721)
Income tax expense (benefit)	876	(1,471)
Net income (loss) from continuing operations	52,286	(17,250)
Net (loss) income from discontinued operations, net of tax	(801)	12,740
Net income (loss)	$ 51,485	$ (4,510)
Basic and diluted income (loss) per share:		
Numerator for income (loss) per share:		
Net income (loss) from continuing operations attributable to common stockholders - basic and diluted	$ 52,286	$ (17,250)
Net (loss) income from discontinued operations attributable to common stockholders - basic and diluted	(801)	12,740
Income (loss) attributable to common stockholders - basic and diluted	$ 51,485	$ (4,510)
Denominator:		
Basic weighted average shares	53,310	52,920
Outstanding options and restricted shares, net	274	-
Diluted weighted average shares	53,584	52,920
Basic income (loss) per share		
Continuing operations	$ 0.98	$ (0.33)
Discontinued operations	$ (0.01)	$ 0.24
Net basic income (loss) per share	$ 0.97	$ (0.09)
Diluted income (loss) per share		
Continuing operations	$ 0.98	$ (0.33)
Discontinued operations	$ (0.02)	$ 0.24
Net diluted income (loss) per share	$ 0.96	$ (0.09)

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)
(unaudited)

	Thirty-nine weeks ended November 30, 2019	Thirty-nine weeks ended December 1, 2018
Revenues	$ 16,201,151	$ 16,259,912
Costs and expenses:		
Cost of revenues	12,741,014	12,747,924
Selling, general and administrative expenses	3,433,036	3,449,173
Lease termination and impairment charges	2,115	52,096
Goodwill and intangible asset impairment charges	-	375,190
Interest expense	176,228	175,033
(Gain) loss on debt retirements, net	(55,692)	554
Gain on sale of assets, net	(5,670)	(11,206)
	16,291,031	16,788,764
Loss from continuing operations before income taxes	(89,880)	(528,852)
Income tax expense (benefit)	35,878	(117,527)
Net loss from continuing operations	(125,758)	(411,325)
Net (loss) income from discontinued operations, net of tax	(1,695)	262,091
Net loss	$ (127,453)	$ (149,234)
Basic and diluted loss per share:		
Numerator for loss per share:		
Net loss from continuing operations attributable to common stockholders - basic and diluted	$ (125,758)	$ (411,325)
Net (loss) income from discontinued operations attributable to common stockholders - basic and diluted	(1,695)	262,091
Loss attributable to common stockholders - basic and diluted	$ (127,453)	$ (149,234)
Denominator:		
Basic and diluted weighted average shares	53,159	52,824
Basic and diluted loss per share		
Continuing operations	$ (2.37)	$ (7.79)
Discontinued operations	$ (0.03)	$ 4.96
Net basic and diluted loss per share	$ (2.40)	$ (2.83)

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(unaudited)

	Thirteen weeks ended November 30, 2019	Thirteen weeks ended December 1, 2018
OPERATING ACTIVITIES:		
Net income (loss)	$ 51,485	$ (4,510)
Net (loss) income from discontinued operations, net of tax	(801)	12,740
Net income (loss) from continuing operations	$ 52,286	$ (17,250)
Adjustments to reconcile to net cash provided by operating activities of continuing operations:		
Depreciation and amortization	82,007	86,685
Lease termination and impairment charges	166	2,628
LIFO (credit) charge	(7,440)	5,987
Gain on sale of assets, net	(1,371)	(382)
Stock-based compensation expense	3,506	1,317
Gain on debt retirements, net	(55,692)	-
Changes in deferred taxes	-	(1,295)
Changes in operating assets and liabilities:		
Accounts receivable	252,767	318,287
Inventories	19,333	(46,839)
Accounts payable	47,378	(26,446)
Operating lease right-of-use assets and operating lease liabilities	(12,179)	-
Other assets	1,959	(1,072)
Other liabilities	40,993	29,501
Net cash provided by operating activities of continuing operations	423,713	351,121
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(45,075)	(46,653)
Intangible assets acquired	(17,727)	(11,054)
Proceeds from dispositions of assets and investments	51,548	72
Net cash used in investing activities of continuing operations	(11,254)	(57,635)
FINANCING ACTIVITIES:		
Net payments to revolver	(115,000)	(90,000)
Principal payments on long-term debt	(101,251)	(3,851)
Change in zero balance cash accounts	(66,461)	1,137
Net proceeds from the issuance of common stock	-	992
Payments for taxes related to net share settlement of equity awards	(587)	(175)
Financing fees paid for early debt redemption	(518)	-
Net cash used in financing activities of continuing operations	(283,817)	(91,897)
Cash flows from discontinued operations:		
Operating activities of discontinued operations	(4,876)	14,735
Investing activities of discontinued operations	23,551	61,251
Net cash provided by discontinued operations	18,675	75,986
Increase in cash and cash equivalents	147,317	277,575
Cash and cash equivalents, beginning of period	142,181	132,468
Cash and cash equivalents, end of period	$ 289,498	$ 410,043

RITE AID CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(unaudited)

	Thirty-nine weeks ended November 30, 2019	Thirty-nine weeks ended December 1, 2018
OPERATING ACTIVITIES:		
Net loss	$ (127,453)	$ (149,234)
Net (loss) income from discontinued operations, net of tax	(1,695)	262,091
Net loss from continuing operations	$ (125,758)	$ (411,325)
Adjustments to reconcile to net cash provided by operating activities of continuing operations:		
Depreciation and amortization	248,977	270,957
Lease termination and impairment charges	2,115	52,096
Goodwill and intangible asset impairment charges	-	375,190
LIFO charge	7,553	19,311
Gain on sale of assets, net	(5,670)	(11,206)
Stock-based compensation expense	13,598	11,563
(Gain) loss on debt retirements, net	(55,692)	554
Changes in deferred taxes	26,979	(126,102)
Changes in operating assets and liabilities:		
Accounts receivable	99,498	(5,437)
Inventories	(92,657)	(78,489)
Accounts payable	(38,245)	181,497
Operating lease right-of-use assets and operating lease liabilities	22,803	-
Other assets	(42,715)	(12,304)
Other liabilities	32,889	(216,086)
Net cash provided by operating activities of continuing operations	93,675	50,219
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(129,135)	(139,218)
Intangible assets acquired	(33,435)	(31,573)
Proceeds from dispositions of assets and investments	55,971	15,801
Proceeds from sale-leaseback transactions	-	2,587
Net cash used in investing activities of continuing operations	(106,599)	(152,403)
FINANCING ACTIVITIES:		
Net proceeds from revolver	260,000	1,245,000
Principal payments on long-term debt	(104,702)	(437,597)
Change in zero balance cash accounts	(11,749)	(15,964)
Net proceeds from the issuance of common stock	-	2,294
Payments for taxes related to net share settlement of equity awards	(1,573)	(2,419)
Financing fees paid for early debt redemption	(518)	(13)
Deferred financing costs paid	(315)	-
Net cash provided by financing activities of continuing operations	141,143	791,301
Cash flows from discontinued operations:		
Operating activities of discontinued operations	(7,148)	(47,268)
Investing activities of discontinued operations	24,074	664,653
Financing activities of discontinued operations	-	(1,343,793)
Net cash provided by (used in) discontinued operations	16,926	(726,408)
Increase (decrease) in cash and cash equivalents	145,145	(37,291)
Cash and cash equivalents, beginning of period	144,353	447,334
Cash and cash equivalents, end of period	$ 289,498	$ 410,043

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL SEGMENT OPERATING INFORMATION
(Dollars in thousands)
(unaudited)

	Thirteen weeks ended November 30, 2019	Thirteen weeks ended December 1, 2018
Retail Pharmacy Segment		
Revenues from continuing operations (a)	$ 3,909,946	$ 3,976,719
Cost of revenues from continuing operations (a)	2,839,094	2,897,135
Gross profit from continuing operations	1,070,852	1,079,584
LIFO (credit) charge from continuing operations	(7,440)	5,987
FIFO gross profit from continuing operations	1,063,412	1,085,571
Adjusted EBITDA gross profit from continuing operations	1,065,523	1,088,213
Gross profit as a percentage of revenues - continuing operations	27.39%	27.15%
LIFO (credit) charge as a percentage of revenues - continuing operations	-0.19%	0.15%
FIFO gross profit as a percentage of revenues - continuing operations	27.20%	27.30%
Adjusted EBITDA gross profit as a percentage of revenues - continuing operations	27.25%	27.36%
Selling, general and administrative expenses from continuing operations	1,044,236	1,062,598
Adjusted EBITDA selling, general and administrative expenses from continuing operations	956,944	986,988
Selling, general and administrative expenses as a percentage of revenues - continuing operations	26.71%	26.72%
Adjusted EBITDA selling, general and administrative expenses as a percentage of revenues - continuing operations	24.47%	24.82%
Cash interest expense	54,068	52,074
Non-cash interest expense	3,788	3,934
Total interest expense	57,856	56,008
Interest expense - continuing operations	57,856	56,008
Interest expense - discontinued operations	-	-
Adjusted EBITDA - continuing operations	108,579	101,225
Adjusted EBITDA as a percentage of revenues - continuing operations	2.78%	2.55%
Pharmacy Services Segment		
Revenues (a)	$ 1,613,109	$ 1,525,837
Cost of revenues (a)	1,494,986	1,423,333
Gross profit	118,123	102,504
Gross profit as a percentage of revenues	7.32%	6.72%
Adjusted EBITDA	49,511	41,566
Adjusted EBITDA as a percentage of revenues	3.07%	2.72%

(a) - Revenues and cost of revenues include $60,757 and $52,496 of inter-segment activity for the thirteen weeks ended November 30, 2019 and December 1, 2018, respectively, that is eliminated in consolidation.

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL SEGMENT OPERATING INFORMATION
(Dollars in thousands)
(unaudited)

	Thirty-nine weeks ended November 30, 2019	Thirty-nine weeks ended December 1, 2018
Retail Pharmacy Segment		
Revenues from continuing operations (a)	$ 11,622,858	$ 11,785,996
Cost of revenues from continuing operations (a)	8,489,067	8,585,318
Gross profit from continuing operations	3,133,791	3,200,678
LIFO charge from continuing operations	7,553	19,311
FIFO gross profit from continuing operations	3,141,344	3,219,989
Adjusted EBITDA gross profit from continuing operations	3,151,043	3,229,993
Gross profit as a percentage of revenues - continuing operations	26.96%	27.16%
LIFO charge as a percentage of revenues - continuing operations	0.06%	0.16%
FIFO gross profit as a percentage of revenues - continuing operations	27.03%	27.32%
Adjusted EBITDA gross profit as a percentage of revenues - continuing operations	27.11%	27.41%
Selling, general and administrative expenses from continuing operations	3,160,379	3,195,929
Adjusted EBITDA selling, general and administrative expenses from continuing operations	2,865,783	2,921,021
Selling, general and administrative expenses as a percentage of revenues - continuing operations	27.19%	27.12%
Adjusted EBITDA selling, general and administrative expenses as a percentage of revenues - continuing operations	24.66%	24.78%
Cash interest expense	164,982	167,270
Non-cash interest expense	11,246	12,378
Total interest expense	176,228	179,648
Interest expense - continuing operations	176,228	175,033
Interest expense - discontinued operations	-	4,615
Adjusted EBITDA - continuing operations	285,260	308,972
Adjusted EBITDA as a percentage of revenues - continuing operations	2.45%	2.62%
Pharmacy Services Segment		
Revenues (a)	$ 4,758,470	$ 4,630,410
Cost of revenues (a)	4,432,124	4,319,100
Gross profit	326,346	311,310
Gross profit as a percentage of revenues	6.86%	6.72%
Adjusted EBITDA	117,367	120,392
Adjusted EBITDA as a percentage of revenues	2.47%	2.60%

(a) - Revenues and cost of revenues include $180,177 and $156,494 of inter-segment activity for the thirty-nine weeks ended November 30, 2019 and December 1, 2018, respectively, that is eliminated in consolidation.

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL INFORMATION
RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED EBITDA
(In thousands)
(unaudited)

	Thirteen weeks ended November 30, 2019	Thirteen weeks ended December 1, 2018
Reconciliation of net income (loss) to adjusted EBITDA:		
Net income (loss) - continuing operations	$ 52,286	$ (17,250)
Adjustments:		
Interest expense	57,856	56,008
Income tax expense (benefit)	876	(1,471)
Depreciation and amortization	82,007	86,685
LIFO (credit) charge	(7,440)	5,987
Lease termination and impairment charges	166	2,628
Gain on debt retirements, net	(55,692)	-
Merger and Acquisition-related costs	-	4,175
Stock-based compensation expense	3,506	1,317
Restructuring-related costs	25,275	-
Inventory write-downs related to store closings	93	421
Gain on sale of assets, net	(1,371)	(382)
Other	528	4,673
Adjusted EBITDA - continuing operations	$ 158,090	$ 142,791
Percent of revenues - continuing operations	2.89%	2.62%

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL INFORMATION
RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA
(In thousands)
(unaudited)

	Thirty-nine weeks ended November 30, 2019	Thirty-nine weeks ended December 1, 2018
Reconciliation of net loss to adjusted EBITDA:		
Net loss - continuing operations	$ (125,758)	$ (411,325)
Adjustments:		
Interest expense	176,228	175,033
Income tax expense (benefit)	35,878	(117,527)
Depreciation and amortization	248,977	270,957
LIFO charge	7,553	19,311
Lease termination and impairment charges	2,115	52,096
Goodwill and intangible asset impairment charges	-	375,190
(Gain) loss on debt retirements, net	(55,692)	554
Merger and Acquisition-related costs	3,599	30,394
Stock-based compensation expense	13,598	11,563
Restructuring-related costs	93,770	-
Inventory write-downs related to store closings	4,083	5,554
Litigation settlement	-	18,000
Gain on sale of assets, net	(5,670)	(11,206)
Other	3,946	10,770
Adjusted EBITDA - continuing operations	$ 402,627	$ 429,364
Percent of revenues - continuing operations	2.49%	2.64%

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL INFORMATION
ADJUSTED NET INCOME
(Dollars in thousands, except per share amounts)
(unaudited)

	Thirteen weeks ended November 30, 2019	Thirteen weeks ended December 1, 2018
Net income (loss) from continuing operations	$ 52,286	$ (17,250)
Add back - Income tax expense (benefit)	876	(1,471)
Income (loss) before income taxes - continuing operations	53,162	(18,721)
Adjustments:		
Amortization expense	24,920	28,768
LIFO (credit) charge	(7,440)	5,987
Gain on debt retirements, net	(55,692)	-
Merger and Acquisition-related costs	-	4,175
Restructuring-related costs	25,275	-
Adjusted income before income taxes - continuing operations	40,225	20,209
Adjusted income tax expense (a)	11,090	5,469
Adjusted net income from continuing operations	$ 29,135	$ 14,740
Adjusted net income per diluted share - continuing operations:		
Numerator for adjusted net income per diluted share:		
Adjusted net income from continuing operations	$ 29,135	$ 14,740
Denominator:		
Basic weighted average shares	53,310	52,920
Outstanding options and restricted shares, net	274	10
Diluted weighted average shares	53,584	52,930
Net income (loss) from continuing operations per diluted share - continuing operations	$ 0.98	$ (0.33)
Adjusted net income per diluted share - continuing operations	$ 0.54	$ 0.28

(a) The fiscal year 2020 and 2019 annual effective tax rates, calculated using a federal rate plus a net state rate that excluded the impact of state NOL's, state credits and valuation allowance, was used for the thirteen weeks ended November 30, 2019 and December 1, 2018, respectively.

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL INFORMATION
ADJUSTED NET INCOME
(Dollars in thousands, except per share amounts)
(unaudited)

	Thirty-nine weeks ended November 30, 2019	Thirty-nine weeks ended December 1, 2018
Net loss from continuing operations	$ (125,758)	$ (411,325)
Add back - Income tax expense (benefit)	35,878	(117,527)
Loss before income taxes - continuing operations	(89,880)	(528,852)
Adjustments:		
Amortization expense	79,176	96,668
LIFO charge	7,553	19,311
Goodwill and intangible asset impairment charges	-	375,190
(Gain) loss on debt retirements, net	(55,692)	554
Merger and Acquisition-related costs	3,599	30,394
Restructuring-related costs	93,770	-
Litigation settlement	-	18,000
Adjusted income before income taxes - continuing operations	38,526	11,265
Adjusted income tax expense (a)	10,622	3,049
Adjusted net income from continuing operations	$ 27,904	$ 8,216
Adjusted net income per diluted share - continuing operations:		
Numerator for adjusted net income per diluted share:		
Adjusted net income from continuing operations	$ 27,904	$ 8,216
Denominator:		
Basic weighted average shares	53,159	52,824
Outstanding options and restricted shares, net	775	124
Diluted weighted average shares	53,934	52,948
Net loss from continuing operations per diluted share - continuing operations	$ (2.37)	$ (7.79)
Adjusted net income diluted share - continuing operations	$ 0.52	$ 0.16

(a) The fiscal year 2020 and 2019 annual effective tax rates, calculated using a federal rate plus a net state rate that excluded the impact of state NOL's, state credits and valuation allowance, was used for the thirty-nine weeks ended November 30, 2019 and December 1, 2018, respectively.

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL INFORMATION
RECONCILIATION OF ADJUSTED EBITDA GROSS PROFIT AND RECONCILIATION OF ADJUSTED EBITDA SELLING, GENERAL AND ADMINISTRATIVE EXPENSES- RETAIL PHARMACY SEGMENT
(In thousands)
(unaudited)

	Thirteen weeks ended November 30, 2019	Thirteen weeks ended December 1, 2018
Reconciliation of adjusted EBITDA gross profit:		
Revenues	$ 3,909,946	$ 3,976,719
Gross Profit	1,070,852	1,079,584
Addback:		
LIFO (credit) charge	(7,440)	5,987
Depreciation and amortization (cost of goods sold portion only)	2,070	2,308
Other	41	334
Adjusted EBITDA gross profit - continuing operations	$ 1,065,523	$ 1,088,213
Percent of revenues - continuing operations	27.25%	27.36%
Reconciliation of adjusted EBITDA selling, general and administrative expenses:		
Revenues	$ 3,909,946	$ 3,976,719
Selling, general and administrative expenses	1,044,236	1,062,598
Less:		
Depreciation and amortization (SG&A portion only)	65,267	67,905
Stock-based compensation expense	2,976	1,317
Merger and Acquisition-related costs	-	4,175
Restructuring-related costs	18,415	-
Other	634	2,213
Adjusted EBITDA selling, general and administrative expenses - continuing operations	$ 956,944	$ 986,988
Percent of revenues - continuing operations	24.47%	24.82%
Adjusted EBITDA - continuing operations	$ 108,579	$ 101,225

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL INFORMATION
RECONCILIATION OF ADJUSTED EBITDA GROSS PROFIT AND RECONCILIATION OF ADJUSTED EBITDA SELLING, GENERAL AND ADMINISTRATIVE EXPENSES- RETAIL PHARMACY SEGMENT
(In thousands)
(unaudited)

	Thirty-nine weeks ended November 30, 2019	Thirty-nine weeks ended December 1, 2018
Reconciliation of adjusted EBITDA gross profit:		
Revenues	$ 11,622,858	$ 11,785,996
Gross Profit	3,133,791	3,200,678
Addback:		
LIFO charge	7,553	19,311
Depreciation and amortization (cost of goods sold portion only)	6,538	6,929
Other	3,161	3,075
Adjusted EBITDA gross profit - continuing operations	$ 3,151,043	$ 3,229,993
Percent of revenues - continuing operations	27.11%	27.41%
Reconciliation of adjusted EBITDA selling, general and administrative expenses:		
Revenues	$ 11,622,858	$ 11,785,996
Selling, general and administrative expenses	3,160,379	3,195,929
Less:		
Depreciation and amortization (SG&A portion only)	195,281	205,972
Stock-based compensation expense	12,673	11,563
Merger and Acquisition-related costs	2,828	30,394
Restructuring-related costs	78,851	-
Litigation settlement	-	18,000
Other	4,963	8,979
Adjusted EBITDA selling, general and administrative expenses - continuing operations	$ 2,865,783	$ 2,921,021
Percent of revenues - continuing operations	24.66%	24.78%
Adjusted EBITDA - continuing operations	$ 285,260	$ 308,972

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL INFORMATION
RECONCILIATION OF NET LOSS GUIDANCE TO ADJUSTED EBITDA GUIDANCE
YEAR ENDING FEBRUARY 29, 2020
(In thousands)
(unaudited)

	Guidance Range	
	Low	**High**
Total Revenues	$ 21,500,000	$ 21,900,000
Same store sales	0.00%	1.00%
Gross Capital Expenditures	$ 230,000	$ 230,000
Reconciliation of net loss to adjusted EBITDA:		
Net loss	$ (204,000)	$ (174,000)
Adjustments:		
Interest expense	235,000	235,000
Income tax expense	40,000	40,000
Depreciation and amortization	330,000	330,000
LIFO charge	10,000	10,000
Lease termination and impairment charges	35,000	35,000
Gain on debt retirements, net	(56,000)	(56,000)
Restructuring-related costs	100,000	100,000
Other	25,000	25,000
Adjusted EBITDA	$ 515,000	$ 545,000

RITE AID CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL INFORMATION
RECONCILIATION OF NET LOSS GUIDANCE TO ADJUSTED NET INCOME GUIDANCE
YEAR ENDING FEBRUARY 29, 2020
(In thousands)
(unaudited)

	Guidance Range	
	Low	**High**
Net loss	$ (204,000)	$ (174,000)
Add back - income tax expense	40,000	40,000
Loss before income taxes	(164,000)	(134,000)
Adjustments:		
Amortization expense	120,000	120,000
LIFO charge	10,000	10,000
Gain on debt retirements, net	(56,000)	(56,000)
Restructuring-related costs	100,000	100,000
Adjusted income before adjusted income taxes	10,000	40,000
Adjusted income tax expense	3,000	11,000
Adjusted net income	$ 7,000	$ 29,000
Diluted adjusted net income per share	$ 0.13	$ 0.55

Exhibit 99.2

Supplemental Presentation

Third Quarter Fiscal 2020

December 19, 2019

Safe Harbor Statement

Cautionary Statement Regarding Forward Looking Statements

Statements in this presentation 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 and guidance for fiscal 2020; the expected timing and the ability to complete the subsequent closings of the sale of the remaining Rite Aid distribution center and related assets to Walgreens Boots Alliance, Inc. ("WBA"); Rite Aid's competitive position and ability to implement new strategies following completion of such transaction with WBA; 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.

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 ongoing 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 sale of the remaining Rite Aid distribution center and related assets to WBA, including the possibility that the transaction may not close due to the failure to satisfy the minimal remaining conditions; our ability to successfully achieve benefits from our leadership transition plan and organizational restructuring, including managing the transition to our new chief executive officer and other management; the potential for operational disruptions due to, among other things, concerns of management, employees, current and potential customers, other third parties with whom we do business and shareholders; the success of any changes to our business strategy that may be implemented under our new chief executive officer and other management; our ability to achieve cost savings through the organizational restructurings within the anticipated timeframe, if at all; possible changes in the size and components of the expected costs and charges associated with the organizational restructuring plan; and the outlook for and future growth of the Company. 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 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 presentation, whether as a result of new information, future events, changes in assumptions or otherwise.

Safe Harbor Statement *(cont.)*

Cautionary Note Regarding Pro Forma Information

The following presentation provides certain pro forma information regarding the impact of Rite Aid's pending sale of a distribution center and assets to WBA on Rite Aid's results of operations and capital structure. The pro forma information is for illustrative purposes only, was prepared by management in response to investor inquiries and is based upon a number of assumptions. The pro forma information assumes the completion of all the asset sales when they actually take place over an extended period of time. Additional items that may require adjustments to the pro forma information may be identified and could result in material changes to the information contained herein. The information in this presentation is not necessarily indicative of what actual financial results of Rite Aid would have been had the sale occurred on the dates or for the periods indicated, nor does it purport to project the financial results of Rite Aid for any future periods or as of any date. Such pro forma information has not been prepared in conformity with Regulation S-X. Rite Aid's independent auditors have not audited, reviewed, compiled or performed any procedures with respect to this preliminary financial information. Accordingly, they do not express an opinion or provide any form of assurance with respect thereto. The information in this presentation should not be viewed in replacement of results prepared in compliance with Generally Accepted Accounting Principles or any pro forma financial statements subsequently required by the rules and regulations of the SEC.

Non-GAAP Financial Measures

The following presentation includes the non-GAAP financial measures, Adjusted EBITDA, Adjusted Net Income (Loss), Adjusted Net Income (Loss) per Diluted Share, Adjusted EBITDA Gross Profit and Adjusted EBITDA SG&A. Rite Aid 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, goodwill and intangible asset impairment charges, inventory write-downs related to store closings, gains or losses on debt retirements, the WBA merger termination fee, and other items (including stock-based compensation expense, merger and acquisition-related costs, a non-recurring litigation settlement, severance, restructuring-related costs and costs related to facility closures and gain or loss on sale of assets). The current calculation of Adjusted EBITDA reflects a modification made in the third quarter of fiscal 2019 to eliminate the add back of revenue deferrals related to our customer loyalty program and to present amounts previously included within other as separate reconciling items. The presentation includes a reconciliation of Adjusted EBITDA to net income (loss), which is the most directly comparable GAAP financial measure. Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Diluted Share exclude amortization expense, merger and acquisition-related costs, a non-recurring litigation settlement, gains or losses on debt retirements, LIFO adjustments, goodwill and intangible asset impairment charges, restructuring-related costs and the WBA merger termination fee. The current calculations of Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Diluted Share reflect a modification made in the third quarter of fiscal 2019 to add back all amortization expenses rather than the amortization of EnvisionRx intangible assets only. Additionally, the add back of LIFO (credit) charge when calculating Adjusted EBITDA, Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Diluted Share removes the entire impact of LIFO (credits) charges, and effectively reflects Rite Aid's results as if the company was on a FIFO inventory basis. The presentation includes a reconciliation of Adjusted Net Income (Loss) to net income (loss), which is the most directly comparable GAAP financial measure. Adjusted EBITDA Gross Profit includes LIFO adjustments, depreciation and amortization (COGS portion only) and other items. The presentation includes a reconciliation of Adjusted EBITDA Gross Profit to Revenue, which is the most directly comparable GAAP financial measure. Adjusted EBITDA SG&A excludes depreciation and amortization (SG&A portion only), stock-based compensation expense, merger and acquisition-related costs, litigation settlement and other items. The presentation includes a reconciliation of Adjusted EBITDA SG&A to Revenue, which is the most directly comparable GAAP financial measure.

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Key Third Quarter FY 2020 Highlights

Third Quarter Adjusted EBITDA of $158.1 million exceeded prior year by $15.3 million

Retail Pharmacy:
- Same store 30-day equivalent prescription count grew 2.8%
- Front end sales increase 1.0% excluding tobacco related products
- Strong expense control

EnvisionRx:
- Medicare Part D membership continues to drive revenues
- Improved pharmacy network management

Continued financial improvement:
- Strong free cash flow due to the receipt of the CMS receivable
- Our leverage ratio decreased from 6.8 in the prior quarter to 5.9

EnvisonRx
- Strong commercial selling season having won over 300,000 new lives

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Q3 Fiscal 2020 Summary

($ in millions, except per share amounts)

	13 Weeks Ended November 30, 2019			13 Weeks Ended December 1, 2018		
Revenue	$	5,462.3		$	5,450.1	
Net Income (Loss)	$	52.3		$	(17.3)	
Net Income (Loss) per Diluted Share	$	0.98		$	(0.33)	
Adjusted Net Income per Diluted Share	$	0.54		$	0.28	
Adjusted EBITDA	$	158.1	*2.89%*	$	142.8	*2.62%*

Note: Data on this slide and throughout the presentation is on a continuing operations basis.

Q3 - Fiscal 2020 Reconciliation of Net Income (Loss) to Adjusted EBITDA

($ in thousands)

	13 Weeks Ended November 30, 2019	13 Weeks Ended December 1, 2018
Net Income (Loss)	$ 52,286	$ (17,250)
Adjustments:		
Interest expense	57,856	56,008
Income tax expense (benefit)	876	(1,471)
Depreciation and amortization	82,007	86,685
LIFO (credit) charge	(7,440)	5,987
Lease termination and impairment charges	166	2,628
Gain on debt retirement, net	(55,692)	-
Merger and Acquisition-related costs	-	4,175
Stock-based compensation expense	3,506	1,317
Restructuring-related costs	25,275	-
Inventory write-downs related to store closings	93	421
Gain on sale of assets, net	(1,371)	(382)
Other	528	4,673
Adjusted EBITDA	$ 158,090	$ 142,791
Percent of revenues	2.89%	2.62%

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Q3 - Fiscal 2020 Reconciliation of Net Income (Loss) to Adjusted Net Income

($ in thousands, except per share amounts)

	13 Weeks Ended November 30, 2019	13 Weeks Ended December 1, 2018
Net Income (Loss)	$ 52,286	$ (17,250)
Add back - Income tax expense (benefit)	876	(1,471)
Income (loss) before income taxes	$ 53,162	$ (18,721)
Adjustments:		
Amortization expense	24,920	28,768
LIFO (credit) charge	(7,440)	5,987
Gain on debt retirement, net	(55,692)	-
Merger and Acquisition-related costs	-	4,175
Restructuring-related costs	25,275	-
Adjusted income before income taxes	$ 40,225	$ 20,209
Adjusted income tax expense	11,090	5,469
Adjusted net income	$ 29,135	$ 14,740
Net income (loss) per diluted share	$ 0.98	$ (0.33)
Adjusted net income per diluted share	$ 0.54	$ 0.28

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Q3 - Fiscal 2020 Summary – Retail Pharmacy Segment

($ in millions)

	13 Weeks Ended November 30, 2019		13 Weeks Ended December 1, 2018	
Revenue	$ 3,909.9		$ 3,976.7	
Adjusted EBITDA Gross Profit (1)	$ 1,065.5	*27.25%*	$ 1,088.2	*27.36%*
Adjusted EBITDA SG&A(1)	$ 956.9	*24.47%*	$ 987.0	*24.82%*
Adjusted EBITDA	$ 108.6	*2.78%*	$ 101.2	*2.55%*

(1) Refer to slides 11 and 12 for the reconciliations of these non-GAAP measures to their applicable GAAP measures.

Q3 - Fiscal 2020 Summary – Retail Pharmacy Segment

- Retail Pharmacy Segment revenue decreased $66.8 million primarily driven by the 62 stores we closed since last year's third quarter. Same store sales decreased 0.1%. Front end same store sales were down 0.5%, but up 1.0% when excluding cigarette and tobacco sales. This was partially offset by a 2.8% increase in same store prescription count. The script count increase was driven by the success of our clinical initiatives and immunization program.
- Adjusted EBITDA Gross Profit decreased $22.7 million and Adjusted EBITDA Gross Margin decreased by 11 bps. Adjusted EBITDA gross profit decreased primarily due to increases in markdown dollars dues to weak summer and seasonal sell-through, lower vendor promotional funding, and a reimbursement rate adjustment resulting from the finalization of a contract with one of our payors.
- Adjusted EBITDA SG&A was $30.1 million better than the prior year. Adjusted EBITDA SG&A was favorably impacted by decreases in store and corporate salaries and benefits, partially offset by lower TSA fee income from WBA.

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Reconciliation of Adj. EBITDA Gross Profit – Retail Pharmacy Segment

($ in millions)

	13 Weeks Ended November 30, 2019	13 Weeks Ended December 1, 2018
Revenues	$ 3,909.9	$ 3,976.7
Gross Profit	1,070.9	1,079.6
Addback:		
LIFO (credit) charge	(7.4)	6.0
Depreciation and amortization (COGS portion only)	2.1	2.3
Other	(0.1)	0.3
Adjusted EBITDA Gross Profit	$ 1,065.5	$ 1,088.2
Adjusted EBITDA Gross Profit as a percent of revenue	27.25%	27.36%

Reconciliation of Adj. EBITDA SG&A - Retail Pharmacy Segment

($ in millions)

	13 Weeks Ended November 30, 2019	13 Weeks Ended December 1, 2018
Revenues	$ 3,909.9	$ 3,976.7
Selling, general and administrative expenses	1,044.2	1,062.6
Less:		
Depreciation and amortization (SG&A portion only)	65.3	67.9
Stock-based compensation expense	3.0	1.3
Merger and Acquisition-related costs	-	4.2
Restructuring-related costs	18.4	-
Other	0.6	2.2
Adjusted EBITDA SG&A	$ 956.9	$ 987.0
Adjusted EBITDA SG&A as a percent of revenue	24.47%	24.82%

Pharmacy Services Segment Results

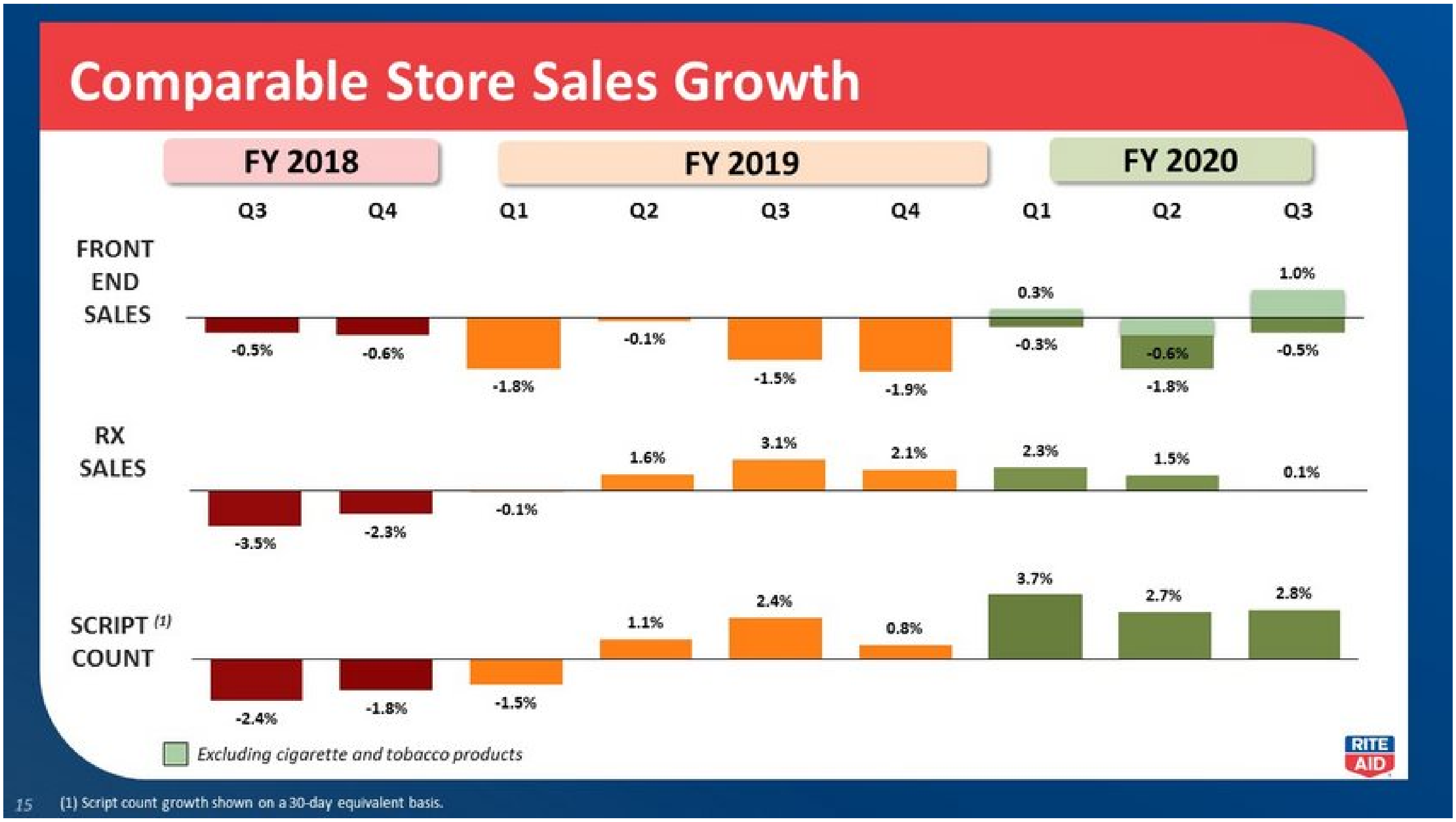
($ in millions)

	13 Weeks Ended November 30, 2019		13 Weeks Ended December 1, 2018	
Revenues	$	1,613.1	$	1,525.8
Cost of Revenues		1,495.0		1,423.3
Gross Profit		118.1		102.5
Selling, General and Administrative Expenses		(90.6)		(80.0)
Loss on sale of assets, net		(0.5)		-
Addback:				
Depreciation and Amortization		14.7		16.5
Loss on sale of assets, net		0.5		-
Restructuring-related costs		6.9		-
Other		0.4		2.6
Adjusted EBITDA - Pharmacy Services Segment	$	49.5	$	41.6

Q3 - FY 2020 Summary – Pharmacy Services Segment

- Revenues increased $87.3 million due to an increase in our Medicare Part D membership.

- Adjusted EBITDA increased $7.9 million year-over-year. Pharmacy Services Segment adjusted EBITDA benefited from improvements in pharmacy network management and increased Medicare Part D membership, that were partially offset by the increases in SG&A expenses associated with the growth in Medicare Part D membership.



Comparable Store Sales Growth
FY 2018
FY 2019
FY 2020
Q3
Q4
Q1
Q2
Q3
Q4
Q1
Q2
Q3
FRONT END SALES
-0.5%
-0.6%
-1.8%
-0.1%
-1.5%
-1.9%
0.3%
-0.3%
-0.6%
-1.8%
1.0%
-0.5%
RX SALES
-3.5%
-2.3%
-0.1%
1.6%
3.1%
2.1%
2.3%
1.5%
0.1%
SCRIPT (1) COUNT
-2.4%
-1.8%
-1.5%
1.1%
2.4%
0.8%
3.7%
2.7%
2.8%
Excluding cigarette and tobacco products
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(1) Script count growth shown on a 30-day equivalent basis.

Capitalization Table

($ in thousands)

	November 30, 2019	March 2, 2019
Secured Debt:		
Senior secured revolving credit facility due December 2023	$ 1,114,567	$ 850,931
FILO term loan due December 2023	446,750	446,082
	1,561,317	**1,297,013**
Unsecured Guaranteed Debt:		
6.125% senior secured notes due April 2023	1,739,633	1,736,508
	1,739,663	**1,736,508**
Unsecured Unguaranteed Debt:		
7.7% notes due February 2027	236,444	293,705
6.875% fixed-rate senior notes due December 2028	28,867	127,358
	265,311	**421,063**
Lease financing obligations	30,093	40,176
Total Debt:	**3,596,354**	**3,494,760**
Currend maturities of long-term debt and lease fiancing obligations	(9,486)	(16,111)
Long-term debt & lease financing obligations, less current maturities	**3,586,868**	**3,478,649**
Total debt and lease financing obligations, continuing operations		
Less: current maturities of long-term debt and lease financing obligations, continuing operations	3,596,354	3,494,760
Long-term debt & lease financing obligations, less current maturities, continuing operations	(9,486)	(16,111)
	$ 3,586,868	**$ 3,478,649**
Total Debt gross	3,634,970	3,541,666
Less: Unamortized debt issue costs	(38,616)	(46,906)
Total Debt per balance sheet	**$ 3,596,354**	**$ 3,494,760**

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Note: Debt in the capitalization table is shown net of unamortized debt issuance costs.

Pro Forma Leverage Ratio

($ in thousands)

		November 30, 2019
Total Debt:	$	3,596,354
Less: Cash and cash equivalents		(289,498)
Less: Distribution center sale proceeds		(133,521)
Pro Forma Net Debt	$	3,173,335
LTM Adjusted EBITDA:		
Retail Pharmacy Segment		381,493
Pharmacy Services Segment		155,214
LTM Adjusted EBITDA	$	536,707
Pro Forma Leverage Ratio		5.91

FY 2020 Guidance

($ in thousands)

	Guidance Range Low	Guidance Range High
Total Revenues	$ 21,500,000	$ 21,900,000
Same store sales	0.00%	1.00%
Gross Capital Expenditures	$ 230,000	$ 230,000
Reconciliation of net loss to adjusted EBITDA:		
Net loss	$ (204,000)	$ (174,000)
Adjustments:		
Interest expense	235,000	235,000
Income tax expense	40,000	40,000
Depreciation and amortization	330,000	330,000
LIFO charge	10,000	10,000
Lease termination and impairment charges	35,000	35,000
Gain on debt retirements, net	(56,000)	(56,000)
Restructuring-related costs	100,000	100,000
Other	25,000	25,000
Adjusted EBITDA	$ 515,000	$ 545,000

FY 2020 Guidance *(cont.)*

($ in thousands, except per share amounts)

	Guidance Range	
	Low	High
Net loss	$(204,000)	$(174,000)
Add back - income tax expense	40,000	40,000
Loss before income taxes	(164,000)	(134,000)
Adjustments:		
Amortization expense	120,000	120,000
LIFO charge	10,000	10,000
Gain on debit retirements, net	(56,000)	(56,000)
Restructuring-related costs	100,000	100,000
Adjusted income before adjusted income taxes	10,000	40,000
Adjusted income tax expense	3,000	11,000
Adjusted net income	$ 7,000	$ 29,000
Diluted adjusted net income per share	$ 0.13	$ 0.55

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