

RITE AID CORP  
Form 10-Q  
October 02, 2012

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Table of Contents](#)

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 1, 2012**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 1-5742**

**RITE AID CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**23-1614034**  
(I.R.S. Employer  
Identification No.)

**30 Hunter Lane,  
Camp Hill, Pennsylvania**  
(Address of principal executive offices)

**17011**  
(Zip Code)

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

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report):

**Not Applicable**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months

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(or for such shorter period that the Registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a  
smaller reporting company)

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange act). Yes  No

The registrant had 903,794,778 shares of its \$1.00 par value common stock outstanding as of September 20, 2012.

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Table of Contents

**RITE AID CORPORATION**

**TABLE OF CONTENTS**

	<u>Cautionary Statement Regarding Forward-Looking Statements</u>	<u>2</u>
	<b><u>PART I</u></b>	
	<b><u>FINANCIAL INFORMATION</u></b>	
<u>ITEM 1.</u>	<u>Financial Statements (unaudited):</u>	
	<u>Condensed Consolidated Balance Sheets as of September 1, 2012 and March 3, 2012</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Operations for the Thirteen Week Periods Ended September 1, 2012 and August 27, 2011</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Comprehensive Loss for the Thirteen Week Periods Ended September 1, 2012 and August 27, 2011</u>	<u>5</u>
	<u>Condensed Consolidated Statements of Operations for the Twenty-Six Week Periods Ended September 1, 2012 and August 27, 2011</u>	<u>6</u>
	<u>Condensed Consolidated Statements of Comprehensive Loss for the Twenty-Six Week Periods Ended September 1, 2012 and August 27, 2011</u>	<u>7</u>
	<u>Condensed Consolidated Statements of Cash Flows for the Twenty-Six Week Periods Ended September 1, 2012 and August 27, 2011</u>	<u>8</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>	<u>9</u>
<u>ITEM 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>23</u>
<u>ITEM 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>32</u>
<u>ITEM 4.</u>	<u>Controls and Procedures</u>	<u>33</u>
	<b><u>PART II</u></b>	
	<b><u>OTHER INFORMATION</u></b>	
<u>ITEM 1.</u>	<u>Legal Proceedings</u>	<u>34</u>
<u>ITEM 1A.</u>	<u>Risk Factors</u>	<u>34</u>
<u>ITEM 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>34</u>
<u>ITEM 3.</u>	<u>Defaults Upon Senior Securities</u>	<u>34</u>
<u>ITEM 4.</u>	<u>Mine Safety Disclosures</u>	<u>34</u>
<u>ITEM 5.</u>	<u>Other Information</u>	<u>34</u>
<u>ITEM 6.</u>	<u>Exhibits</u>	<u>35</u>

Table of Contents

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This report, as well as our other public filings or public statements, include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are often identified by terms and phrases such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will" and similar expressions and include references to assumptions and relate to our future prospects, developments and business strategies.

Factors that could cause actual results to differ materially from those expressed or implied in such forward-looking statements include, but are not limited to:

our high level of indebtedness;

our ability to make interest and principal payments on our debt and satisfy the other covenants contained in our senior secured credit facility and other debt agreements;

general economic conditions (including the impact of continued high unemployment and changing consumer behavior), inflation and interest rate movements;

our ability to improve the operating performance of our stores in accordance with our long term strategy;

our ability to maintain or grow prescription count and realize front-end sales growth;

our ability to hire and retain qualified personnel;

the continued efforts of private and public third party payors to reduce prescription drug reimbursement and encourage mail order and limit access to payor networks;

competitive pricing pressures, including aggressive promotional activity from our competitors;

decisions to close additional stores and distribution centers, which could result in further charges to our operating statement;

our ability to manage expenses and our investment in working capital;

continued consolidation of the drugstore and the pharmacy benefit management industries;

changes in state or federal legislation or regulations, and the impact of healthcare reform;

the outcome of lawsuits and governmental investigations;

our ability to maintain the listing of our common stock on the New York Stock Exchange (the "NYSE"), and the resulting impact on our indebtedness, results of operations and financial condition; and

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other risks and uncertainties described from time to time in our filings with the Securities and Exchange Commission (the "SEC").

We undertake no obligation to update or revise the forward-looking statements included in this report, whether as a result of new information, future events or otherwise, after the date of this report. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Factors that could cause or contribute to such differences are discussed in the section entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included herein and included in our Annual Report on Form 10-K for the fiscal year ended March 3, 2012 (the "Fiscal 2012 10-K"), which we filed with the SEC on April 24, 2012, and our Quarterly Report on Form 10-Q for the thirteen weeks ended June 2, 2012 (the "First Quarter 2013 10-Q"), which we filed on July 3, 2012. These documents are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements**

**RITE AID CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except per share amounts)

(unaudited)

	September 1, 2012	March 3, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 94,325	\$ 162,285
Accounts receivable, net	926,428	1,013,233
Inventories, net of LIFO reserve of \$1,090,625 and \$1,063,123	3,022,707	3,138,455
Prepaid expenses and other current assets	197,467	190,613
<b>Total current assets</b>	<b>4,240,927</b>	<b>4,504,586</b>
Property, plant and equipment, net	1,899,866	1,902,021
Other intangibles, net	482,453	528,775
Other assets	327,332	428,909
<b>Total assets</b>	<b>\$ 6,950,578</b>	<b>\$ 7,364,291</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 228,134	\$ 79,421
Accounts payable	1,258,460	1,426,391
Accrued salaries, wages and other current liabilities	1,138,588	1,064,507
<b>Total current liabilities</b>	<b>2,625,182</b>	<b>2,570,319</b>
Long-term debt, less current maturities	5,829,582	6,141,773
Lease financing obligations, less current maturities	101,195	107,007
Other noncurrent liabilities	1,037,942	1,131,948
<b>Total liabilities</b>	<b>9,593,901</b>	<b>9,951,047</b>
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock series G, par value \$1 per share, liquidation value \$100 per share; 2,000 shares authorized; shares issued .007 and .006	1	1
Preferred stock series H, par value \$1 per share, liquidation value \$100 per share; 2,000 shares authorized; shares issued 1,768 and 1,715	176,755	171,569
Common stock, par value \$1 per share; 1,500,000 authorized; shares issued and outstanding 903,786 and 898,687	903,786	898,687
Additional paid-in capital	4,276,950	4,278,988
Accumulated deficit	(7,950,220)	(7,883,367)
Accumulated other comprehensive loss	(50,595)	(52,634)
<b>Total stockholders' deficit</b>	<b>(2,643,323)</b>	<b>(2,586,756)</b>

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Total liabilities and stockholders' deficit	\$	6,950,578	\$	7,364,291
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See accompanying notes to condensed consolidated financial statements.

Table of Contents

**RITE AID CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share amounts)

(unaudited)

	Thirteen Week Period Ended	
	September 1, 2012	August 27, 2011
Revenues	\$ 6,230,884	\$ 6,271,091
Costs and expenses:		
Cost of goods sold	4,520,463	4,622,130
Selling, general and administrative expenses	1,618,169	1,603,752
Lease termination and impairment charges	7,783	15,118
Interest expense	129,054	130,829
Gain on debt modifications and retirements, net		(4,924)
Gain on sale of assets, net	(2,954)	(848)
	6,272,515	6,366,057
Loss before income taxes	(41,631)	(94,966)
Income tax benefit	(2,866)	(2,712)
Net loss	\$ (38,765)	\$ (92,254)
Computation of loss attributable to common stockholders:		
Net loss	\$ (38,765)	\$ (92,254)
Accretion of redeemable preferred stock	(26)	(26)
Cumulative preferred stock dividends	(2,612)	(2,461)
Loss attributable to common stockholders basic and diluted	\$ (41,403)	\$ (94,741)
Basic and diluted loss per share	\$ (0.05)	\$ (0.11)

See accompanying notes to condensed consolidated financial statements.



Table of Contents

**RITE AID CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

(In thousands)

(unaudited)

	Thirteen Week Period Ended	
	September 1, 2012	August 27, 2011
Net loss	\$ (38,765)	\$ (92,254)
Other comprehensive income:		
Defined benefit pension plans:		
Amortization of prior service cost, net transition obligation and net actuarial losses included in net periodic pension cost	1,019	591
Total other comprehensive income	\$ 1,019	\$ 591
Comprehensive loss	\$ (37,746)	\$ (91,663)

See accompanying notes to condensed consolidated financial statements.

Table of Contents

**RITE AID CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share amounts)

(unaudited)

	Twenty-Six Week Period Ended	
	September 1, 2012	August 27, 2011
Revenues	\$ 12,699,171	\$ 12,661,884
Costs and expenses:		
Cost of goods sold	9,239,979	9,322,004
Selling, general and administrative expenses	3,306,235	3,189,988
Lease termination and impairment charges	19,926	32,208
Interest expense	259,642	261,589
Loss on debt modifications and retirements, net	17,842	17,510
Gain on sale of assets, net	(13,005)	(5,640)
	12,830,619	12,817,659
Loss before income taxes	(131,448)	(155,775)
Income tax benefit	(64,595)	(439)
Net loss	\$ (66,853)	\$ (155,336)
Computation of loss attributable to common stockholders:		
Net loss	\$ (66,853)	\$ (155,336)
Accretion of redeemable preferred stock	(51)	(51)
Cumulative preferred stock dividends	(5,186)	(4,886)
Loss attributable to common stockholders basic and diluted	\$ (72,090)	\$ (160,273)
Basic and diluted loss per share	\$ (0.08)	\$ (0.18)

See accompanying notes to condensed consolidated financial statements.

Table of Contents

**RITE AID CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

(In thousands)

(unaudited)

	Twenty-Six Week Period Ended	
	September 1, 2012	August 27, 2011
Net loss	\$ (66,853)	\$ (155,336)
Other comprehensive income:		
Defined benefit pension plans:		
Amortization of prior service cost, net transition obligation and net actuarial losses included in net periodic pension cost	2,039	1,181
Total other comprehensive income	\$ 2,039	\$ 1,181
Comprehensive loss	\$ (64,814)	\$ (154,155)

See accompanying notes to condensed consolidated financial statements.

Table of Contents

**RITE AID CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In thousands)**

**(unaudited)**