

Rite Aid Corporation (RAD)

\$13.36 (As of 05/08/20)

Price Target (6-12 Months): **\$14.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 03/09/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:C

Value: F

Growth: B

Momentum: D

Summary

Shares of Rite Aid have outpaced the industry in the past six months. The company further received a boost after it announced the expansion of services amid the COVID-19 crisis. To this end, the company is witnessing solid demand as customers have been hoarding medications in such trying times. Further, solid revenues in pharmacy services and retail pharmacy segments coupled with a rise in the prescription count led to the top-line beat during fourth-quarter fiscal 2020. Moreover, the EnvisionRxOptions witnessed solid growth, backed by an increase in Medicare Part D membership and improved pharmacy network management. However, the company provided a soft view for adjusted EBITDA for fiscal 2021. Further, the company envisions adjusted loss to be 19-22 cents for the fiscal.

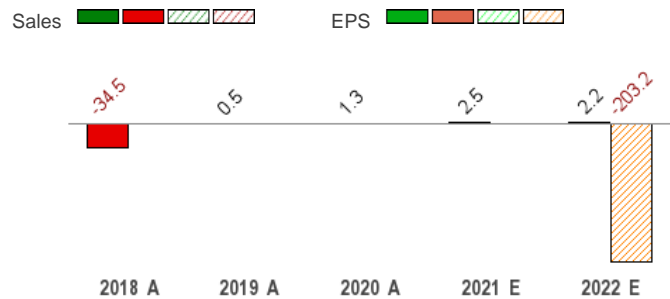
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$23.88 - \$5.04
20 Day Average Volume (sh)	5,372,115
Market Cap	\$730.9 M
YTD Price Change	-13.6%
Beta	0.92
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Retail - Pharmacies and Drug Stores
Zacks Industry Rank	Bottom 23% (194 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-184.6%
Last Sales Surprise	1.2%
EPS F1 Est- 4 week change	-568.9%
Expected Report Date	06/24/2020
Earnings ESP	0.0%
P/E TTM	89.1
P/E F1	NA
PEG F1	NA
P/S TTM	0.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	5,783 E	5,558 E	5,710 E	5,934 E	22,984 E
2021	5,599 E	5,492 E	5,592 E	5,802 E	22,485 E
2020	5,373 A	5,366 A	5,462 A	5,727 A	21,928 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	-\$0.44 E	-\$0.29 E	\$0.06 E	-\$0.28 E	-\$0.94 E
2021	-\$0.54 E	-\$0.39 E	-\$0.14 E	-\$0.37 E	-\$0.31 E
2020	-\$0.14 A	\$0.12 A	\$0.54 A	-\$0.37 A	\$0.15 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 05/08/2020. The reports text is as of 05/11/2020.

Overview

Rite Aid Corporation, headquartered in Camp Hill, PA, is the third largest retail drugstore in the United States, based on revenues and number of stores. As of Feb 29, 2020, the company operated 2,400 retail pharmacy stores across 18 states. Through EnvisionRxOptions, the company also provides pharmacy benefit management to nearly 1,900 clients and 3.4 million members.

The company operates its business in two distinct segments – Retail Pharmacy Segment and Pharmacy Services Segment.

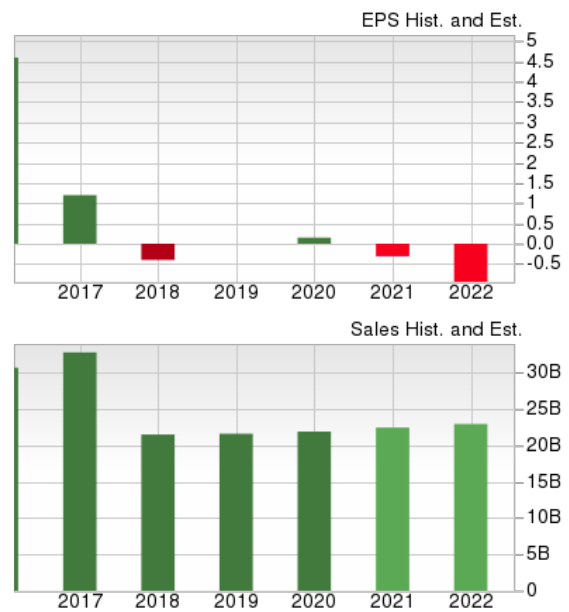
Retail Pharmacy Segment (70% of FY20 Revenues) consists of Rite Aid stores, RediClinic and Health Dialog. *Rite Aid* stores offer prescription drugs and a wide assortment of other merchandise called "front-end" products. Front-end products include over-the-counter (OTC) medications, health and beauty aids, personal care items, cosmetics, household items, food and beverages, greeting cards, seasonal merchandise and other convenience products.

RediClinic is an operator of retail clinics. RediClinics are staffed by board-certified nurse practitioners and physician assistants, who are trained and licensed to treat common conditions and provide preventative services, in collaboration with local physicians affiliated with a leading health care system in each market. The company operated a total of 65 RediClinics at the end of fiscal 2019.

Health Dialog provides healthcare coaching and disease management services to health plans and employers. Health Dialog provides these services using a call in line staffed by nurse practitioners and through an on-line platform.

Pharmacy Services Segment (30% of FY20 Revenues) comprises the EnvisionRx – its PBM operations that have been rebranded as EnvisionRxOptions. This segment provides a broad range of pharmacy benefits and services, including both transparent and traditional PBM options through its EnvisionRx and MedTrakRx PBMs, EnvisionPharmacies, EnvisionInsurance, EnvisionSavings and Laker Software.

In January 2019, Rite Aid proposed a 1-for-20 reverse stock split to regain compliance with NYSE minimum average share price listing requirements. The company's shares started trading on a split-adjusted basis from Apr 22.



Reasons To Buy:

- ▲ **Rite Aid's Move to Expand Services Amid COVID-19 Outbreak Boosts Stock:** Shares of Rite Aid rallied 35.4% in the past six months against the industry's decline of 19.8%. The stock further received a boost following its announcement of expanding services to its customers amid the COVID-19 crisis. In this regard, it revealed plans to hire 5,000 full-time and part-time associates across the United States to serve customers better. Notably, the company will provide home service delivery to customers with an eligible prescription. Also, the customers will have the benefit of zero delivery fees. Apart from this, it will also offer pick up services for prescriptions and over-the-counter products, and customers can use the drive-through option available at more than 50% of its retail locations. Moving on, it is working toward installing Plexiglas shields at pharmacies and front-end counters. Moreover, the company will continue to operate its online business - RiteAid.com. Customers who belong to the Rite Aid wellness+ rewards program will also be able to access healthcare professionals and pharmacists at 1-800-Rite Aid or via live chat on its website.
- Rite Aid is gaining from expansion of delivery and other healthcare related services in the wake of the COVID-19 crisis. Also, a solid top-line performance in the fourth quarter and an encouraging view bode
- ▲ **Growth Efforts:** As part of its corporate strategy and growth plan, Rite Aid remains focused on strengthening its foothold in mid-market PBM, innovation across its retail and mail-order pharmacy channels, enhancing in-store experience by curated digital offerings, improved merchandises and rebranding its image with a new logo. Keeping in these lines, the company witnessed a significant uptick in PBM, in terms of mail orders, as customers are increasingly hoarding 90-day refills in the wake of COVID-19. Earlier, it undertook turnaround initiatives including lowering leverage ratio, increasing focus on innovation and enhancing its technological platform. Moreover, it remains focused on doubling its pharmacy business. Moving ahead, it anticipates store renovation efforts and rising demand for prescription files to drive growth in the near term.
- ▲ **Robust Q4 Top Line & Upbeat View Bodes Well:** Although Rite Aid's bottom line reported a wider-than-expected loss during fourth-quarter fiscal 2020, revenues beat the Zacks Consensus Estimate. Notably, revenues grew 6.5% to \$5,727.2 million, driven by higher revenues in pharmacy services and retail pharmacy segments coupled with a rise in the prescription count. Retail pharmacy segment revenues inched up 0.6% due to higher store count. In the pharmacy services segment, revenues rose 23.1% owing to a rise in Medicare Part D membership. Retail pharmacy same-store sales advanced 1.6%, thanks to 1.6% and 0.1% rise in front-end and pharmacy sales, respectively.
- Going ahead, it expects fiscal 2021 revenues to be \$22.5-\$22.9 billion, up from \$21.6 billion reported in the last year. Same-store sales in retail pharmacy are touted to grow 1.5-2.5%, while revenues in pharmacy service segment are likely to be \$6.75-\$6.85 billion.
- ▲ **Increased Focus on EnvisionRxOptions:** Rite Aid remains on track with its growth strategy, which focuses on leveraging unique opportunities such as EnvisionRxOptions, enhancing the front-end channels and transforming processes to deliver operational efficiency. It continues to invest in the expansion of EnvisionRxOptions, especially its services, technologies and clinical offerings. In fourth-quarter fiscal 2020, the EnvisionRxOptions witnessed solid growth, backed by an increase in the Medicare Part D membership and improved pharmacy network management. Going forward, management is optimistic about the company on the back of EnvisionRxOptions as well as health and wellness offerings. In the fiscal fourth quarter, prescription sales contributed 65.9% to total drugstore sales. Notably, the company delivered seventh straight quarter of prescription count improvement, backed by increased immunizations and strength in the company's clinical pharmacy services. Prescription count at same-store sales, adjusted to 30-day equivalents, rose 5% in the fiscal fourth quarter. Excluding cigarettes and tobacco products, front-end same-store sales inched up 1.5%.
- In addition, the company is keen on capturing opportunities through diverse brand offerings. Apparently, the company has partnered with UNFI for introducing the Wild Harvest brand in Rite Aid stores. The Wild Harvest brand line up, acclaimed for natural and organic properties, has been boosting the company's wellness offerings. Furthermore, with a view to boost demand for CBD products, the company started selling CBD creams, lotions and lip balms at certain stores. Management expects all such moves to yield results in the forthcoming periods.
- ▲ **Drug Purchasing Deal to Support Retail Pharmacy Business:** With a view to retain strength in its Retail Pharmacy business, the company renewed the drug purchasing agreement with McKesson, which will extend for another 10 years. As part of the agreement, McKesson will continue providing Rite Aid with sourcing and direct-to-store delivery for branded and generic pharmaceutical products through March 2029. The partnership will provide Rite Aid with a combination of competitive drug pricing and operational flexibility, which will enhance shareholder value. This extension also represents a key step in strengthening the pharmacy business, with continued focus on improving access to preferred and limited networks and executing key script growth initiatives like further expanding its clinical pharmacy offerings.
- ▲ **Enhancing Customer Experience to Gain Market Share:** In order to increase its market share in an extremely competitive industry, the company has focused on remodeling its wellness stores. In another move to enhance customer experience, Rite Aid has shifted e-commerce fulfillment from a third-party provider to its own distribution network. Additionally, it is enhancing home delivery through partnership with Instacart. This technology-driven, on-demand delivery service should strengthen the company's omni-channel capabilities, and provide increased convenience and value to customers. Apart from these, it successfully conducted tests for a pay-and-go facility in a bid to expedite the prescription pick-up service in both stores and drive through. This service will be made available in all stores by Apr 30. Moreover, its partnership with Amazon to add Locker and counter services to Rite Aid stores remains a key opportunity to improve traffic. The company is likely to soon offer an Amazon pickup solution at every Rite Aid store. In fiscal 2020, management introduced self checkout across 260 additional stores and plans to make this option available in 400 more stores by fiscal 2021. Additionally, the company formed a partnership with Adobe to enhance digital solutions and marketing capabilities. All these moves are expected to improve customer experience, positioning Rite Aid to deliver long-term growth.

Reasons To Sell:

- ▼ **Wider-Than-Expected Q4 Loss:** Rite Aid reported fourth-quarter fiscal 2020 results, wherein loss was wider than expected while sales beat the Zacks Consensus Estimate. The company delivered an adjusted loss of 37 cents per share, compared with the Zacks Consensus Estimate of a loss of 13 cents. Also, the bottom line was much wider than the year-ago quarter's adjusted loss of 25 cents.
- ▼ **Stock Looks Overvalued:** Considering the price-to-earnings (P/E) ratio, Rite Aid looks overvalued when compared with the industry. The stock has a trailing 12-month P/E ratio of 89.1x, which is below the high level of 122.9x scaled in a year. Meanwhile, the trailing 12-month P/E ratio for the industry and the S&P 500 are currently pegged at 8.21x and 18.76x, respectively.
- ▼ **Soft EBITDA Outlook:** Rite Aid has been witnessing weak adjusted EBITDA for a while now. Although adjusted EBITDA increased in fourth-quarter fiscal 2020, adjusted EBITDA margin contracted 10 bps to 2.4%. Moreover, management issued a bleak guidance for fiscal 2021. Adjusted EBITDA is forecasted to be \$500-\$540 million, the midpoint of which — \$520 million — comes below \$538.2 million reported in fiscal 2020. Lower EBITDA might remain a threat to the company's bottom-line results. In fact, the company envisions adjusted loss to be 19-22 cents for the fiscal.
- ▼ **Consolidating Healthcare Industry – A Major Threat:** Over the last few years, many healthcare companies have merged to form a larger enterprise. As an enterprise, these companies enjoy greater power as well as cost and pricing benefits. The merger of Walgreen and Alliance Boots is an important example of such an alliance, which will together generate annual revenues of over \$76 billion. Continuation of such a trend will reduce Rite Aid's bargaining power, thereby weighing on the prices of the company's products and services. To compete with such large enterprises, Rite Aid will have to either increase its revenue streams or reduce costs.
- ▼ **Competitive Risks:** Rite Aid's generic drug sales have been adversely affected by Wal-Mart's strategy of entering the retail generic drug market. Due to Wal-Mart's wide array of manufacturers in India, Israel, and the U.S., the mass merchant offers generic drugs at a discounted price compared with its rival companies.

Rite Aid's muted adjusted EBITDA guidance for fiscal 2021 is likely to show on its bottom line. In fact, the company envisions adjusted loss of 19-22 cents for the fiscal.

Last Earnings Report

Rite Aid's Q4 Loss Wider Than Expected, Sales Rise Y/Y

Rite Aid reported fourth-quarter fiscal 2020 results, wherein loss was wider than expected while sales beat the Zacks Consensus Estimate. Top line gained from solid revenues in pharmacy services and retail pharmacy segments coupled with a rise in the prescription count. Also, it marked the second successive quarter of adjusted EBITDA growth.

Q4 in Detail

The company delivered an adjusted loss of 37 cents per share, compared with the Zacks Consensus Estimate of a loss of 13 cents. Also, the bottom line was much wider than the year-ago quarter's adjusted loss of 25 cents.

Revenues grew 6.5% to \$5,727.2 million and surpassed the Zacks Consensus Estimate of \$5,659 million. During the fiscal fourth quarter, retail pharmacy segment revenues inched up 0.6% due to higher store count. In the pharmacy services segment, revenues rose 23.1% owing to a rise in Medicare Part D membership.

Retail pharmacy same-store sales advanced 1.6%, thanks to 1.6% and 0.1% rise in front-end and pharmacy sales, respectively. Excluding cigarettes and tobacco products, front-end same-store sales inched up 1.5%. Pharmacy sales included an adverse impact of nearly 330 basis points (bps) from the introduction of new generic drugs. Further, prescription count at same-store sales, adjusted to 30-day equivalents, rose 5%. Prescription sales contributed 65.9% to total drugstore sales.

Rite Aid's adjusted EBITDA increased 1.1% year over year to \$135.6 million, while adjusted EBITDA margin contracted 10 bps to 2.4%.

Financial Status

Rite Aid ended the quarter with cash and cash equivalents of approximately \$218.2 million, long-term debt (net of current maturities) of \$3,077.3 million and total shareholders' equity of \$674.5 million.

Further, the company generated cash from operating activities of \$417.2 million in the fiscal fourth quarter.

Outlook

For the time being, the company has not witnessed any significant COVID-19 impact on adjusted EBITDA for fiscal 2021, courtesy of higher sales volume in March, which more than offset the sales decline during the rest of the fiscal first quarter. Going ahead, management notes that any further decline in front-end sales and prescription counts, a lesser number of pharmacy services segment commercial clients and supply-chain disruptions may hurt fiscal 2021 results.

For fiscal 2021, it anticipates revenues to be \$22.5-\$22.9 billion with same-store sales growth of 1.5-2.5% at the retail pharmacy segment. Further, revenues at the pharmacy services segment are projected to be \$6.75-\$6.85 billion. Moreover, the company envisions adjusted loss to be 19-22 cents for the fiscal. Also, adjusted EBITDA is forecasted to be \$500-\$540 million. It expects generating cash flows of \$400-\$450 million from operations and incurring capital expenditures of roughly \$35 million in fiscal 2021.

Business Developments

Rite Aid has ramped up both in-store and online capabilities for the convenience of customers due to the COVID-19 crisis. It has expanded self-checkouts to 260 stores, which will be rolled out in 400 additional stores by fiscal 2021. Other notable facilities that consumers can bank on amid these trying times are prescription delivery and drive-through services.

Moreover, the company is partnering with Instacart and is on track to introduce more convenient delivery options for customers who shop from stores. Apart from these, it successfully conducted tests for a pay-and-go facility in a bid to expedite the prescription pick-up service in both stores and drive through. This service will be made available in all stores by Apr 30.

In addition, Rite Aid has included two more COVID-19 testing locations in its Waldwick, NJ, and Valley Cottage, NY stores. The recently-added testing site in Harrisburg will be open for testing from 9 am to 5 pm all seven days a week, with a target to perform roughly 200 tests each day. The testing will take place in the parking area of the store. Moreover, individuals must pre-register online and stay in their vehicles from the time they arrive until they leave the site. That said, it plans to open more such testing locations in New York, New Jersey, Ohio, Michigan and Virginia.

Quarter Ending **02/2020**

Report Date	Apr 16, 2020
Sales Surprise	1.21%
EPS Surprise	-184.62%
Quarterly EPS	-0.37
Annual EPS (TTM)	0.15

Recent News

Rite Aid Brings in Free COVID-19 Testing Facility – May 7, 2020

Rite Aid has currently expanded its efforts to curb the spread of the COVID-19 virus by launching 46 no-charge testing sites. These testing locations will be accessible from May 11 and will operate via drive-through windows at its stores. It will be open for testing from 10 am to 8 pm in the weekdays and for 10 am to 5 pm during weekends. Also, these sites will come with a capacity to perform roughly 10,000 tests each day. Moreover, individuals can take online appointments to avail this facility.

Rite Aid Introduces New COVID-19 Testing Criteria – Apr 28, 2020

Rite Aid will from now on test all individuals aged 18 and above for the COVID-19 diseases with symptoms such as fever, cough, shortness of breath, chills, repeated shaking with chills, muscle pain, headache, sore throat, new loss of taste or smell. It currently has 25 such testing locations across the United States which has been done in partnership with the U.S. Department of Health and Human Services (HHS).

Rite Aid Launches Another testing Site in Richmond – Apr 21, 2020

Rite Aid has joined hands with the U.S. Branch of Health and Human Services (HHS), to open several COVID-19 testing locations as part of its efforts to curb the spread of its virus. In this regard, it has launched its 25th location in Richmond, VA. The testing locations will be open for testing from 9 am to 5 pm all seven days a week, with a target to perform roughly 200 tests each day. The testing will take place in the parking area of the store. Moreover, individuals must pre-register online and stay in their vehicles from the time they arrive until they leave the site.

Rite Aid Expands COVID-19 Testing Zones, Opens 11 More Sites – Apr 20, 2020

In collaboration with the U.S. Branch of Health and Human Services (HHS), Rite Aid has announced to open eleven more COVID-19 testing locations as part of its efforts to curb the spread of its virus. Notably, one of these sites will be located at Denver, two in Michigan, one in New Jersey, two in Ohio, three in Pennsylvania, one in Idaho and another in New York. These testing locations will be open for testing from 9 am to 5 pm all seven days a week, with a target to perform roughly 200 tests each day. The testing will take place in the parking area of the store. Moreover, individuals must pre-register online and stay in their vehicles from the time they arrive until they leave the site.

Rite Aid Set to Open 7 COVID-19 Test Locations – Apr 18, 2020

As part of its partnership with the U.S. Branch of Health and Human Services (HHS), Rite Aid is opening seven more COVID-19 testing locations starting from today. Notably, three of these sites will be located at Michigan, one in New Jersey, two in Ohio and another in New York. These testing locations will be open for testing from 9 am to 5 pm all seven days a week, with a target to perform roughly 200 tests each day. The testing will take place in the parking area of the store. Moreover, individuals must pre-register online and stay in their vehicles from the time they arrive until they leave the site.

Rite Aid Launches More COVID-19 Test Sites in Pennsylvania – Apr 15, 2020

Rite Aid is aggressively expanding COVID-19 test locations across the United States particularly in Pennsylvania. Notably, it is introducing two more COVID-19 testing locations in its Pittsburgh and York, PA stores. The recently-added testing site in Harrisburg will be open for testing from 9 am to 5 pm all seven days a week, with a target to perform roughly 200 tests each day. Going ahead, it plans to open more such testing locations in New York, New Jersey, Ohio, Michigan, Connecticut and Virginia.

Rite Aid Adds new Testing Site, Supports Coronavirus Relief Efforts – Apr 14, 2020

Besides Philadelphia, Rite Aid has included another testing location at a Rite Aid store situated in Harrisburg, PA to help curb the effects of the coronavirus pandemic. The recently-added testing site in Harrisburg will be open for testing from 9 am to 5 pm all seven days every week with a target to perform roughly 200 tests each day. The testing will take place in the parking area of the store. Moreover, individuals must pre-register online and stay in their vehicles from the time they arrive until they leave the site.

In a joint effort with the U.S. Branch of Health and Human Services (HHS), the company anticipates having extra drive-up COVID-19 testing facilities in the coming weeks at Rite Aid stores across Pennsylvania, New York, New Jersey, Ohio, Michigan, Connecticut and Virginia. In an earlier press release, Rite Aid announced that it has been piloting COVID-19 testing at one location in Philadelphia, providing assistance to contain the spread.

Rite Aid Continues Hiring to Support Coronavirus Relief Efforts – Apr 6, 2020

Rite Aid is undertaking hiring plans to overcome the challenging situation spurred by the coronavirus outbreak. The company will hire 5,000 full-time and part-time associates across the United States to serve customers better. This move will offer additional support to provide medications, essential supplies and COVID-19 related information through stores and distribution centers.

Apart from this, management has come up with a Hero program to acknowledge the efforts made by its employees. The program offers hourly associates a Hero pay hike of \$2 per hour starting Mar 15, which will remain valid till May 2. Moreover, the company has provided a Hero bonus of \$1,000 to current retail store members, including pharmacists, distribution center management and RediClinic professional associates. Also, the program includes a discount of 35% effective Mar 24 until the end of April.

RediClinic, which is a fully-owned subsidiary of Rite Aid, has launched RediClinic@Home for the convenience of customers. This is a telehealth service, wherein patients can use video chat to contact RediClinic clinicians. Customers can avail this option on a smartphone, tablet, laptop or desktop. The facility, which comes with online check in and registration, is currently available in Delaware, Pennsylvania and Texas for a fee of \$49 per visit. Also, the company accepts most of the insurance plans. For more details, interested customers can visit www.RediClinic.com.

In sync with its objective to safeguard employees, Rite Aid has introduced specific guidelines related to leaves due to the ongoing pandemic. As part of the guidelines, the company's new pandemic pay policy offers compensation to an employee who has been either diagnosed with the

virus or quarantined. Internally, it is implementing certain protocols such as usage of masks and gloves to ensure the safety of associates and customers. Keeping in these lines, it is working toward installing Plexiglas shields at pharmacies and front-end counters. Additionally, the company is following social distancing rules by marking floor areas in front of the pharmacy and front-end counters with tape to maintain a 6-foot separation and monitor the number of customers entering stores at a given time.

Rite Aid Joins Fight Against COVID-19 by Expanding Service – Mar 17, 2020

In response to the outbreak, Rite Aid has come forward to play its part in this crisis. Notably, the company will provide home service delivery to customers with an eligible prescription. Also, the customers will have the benefit of zero delivery fees. However, the company clarified that products such as refrigerated medications and controlled substances will not be eligible for delivery. For more details, customers can contact their nearest Rite Aid pharmacist.

Apart from this, it will also offer pick up services for prescriptions and over-the-counter products, and customers can use the drive-through option available at more than 50% of its retail locations. Moreover, the company will continue to operate its online business - RiteAid.com. Customers who belong to the Rite Aid wellness+ rewards program will also be able to access healthcare professionals and pharmacists at 1-800-Rite Aid or via live chat on its website.

Rite Aid Updates Outlook & Announces Growth Plans – Mar 16, 2020

As part of its corporate strategy and growth plan, Rite Aid remain focused on strengthening its foothold in mid-market PBM, innovation across its retail and mail-order pharmacy channels, enhancing in-store experience by curated digital offerings, improved merchandises and rebranding its image with a new logo. Earlier, it undertook turnaround initiatives including lowering leverage ratio, increasing focus on innovation and enhancing its technological platform. Moreover, it remains focused on doubling its pharmacy business.

Encouragingly, management revised its fiscal 2020 guidance wherein revenues are now anticipated to be \$21.9-\$21.92 billion, up from earlier guided view of \$21.5-\$21.9 billion. Same store sales is estimated to grow 1-1.1%, an increase from 0-1% forecasted earlier. For fiscal 2021, it expects revenues to be \$22.5-\$22.9 billion and adjusted EBITDA to be \$500-\$540 million. The bottom line is envisioned to be in the range of a loss of 22 cents to earnings of 19 cents. Same-store sales in retail pharmacy is touted to be up 1.5-2.5% while revenues in pharmacy service segment is likely to be \$6.75-\$6.85 billion. Fiscal 2021 outlook includes restructuring cost of roughly \$60 million which will not be a part of the EBITDA. Additionally, the company provided long-term outlook to be achieved by fiscal 2023. In this regard, it foresees adjusted EBITDA growth during this period along with positive cash flow. Moreover, Pharmacy benefits and services revenue is expected to grow high-single to low-double digits.

Valuation

Rite Aid shares are down 12.7% in the year-to-date period but up nearly 63.9% over the trailing 12-month period. Stocks in the Zacks sub-industry is down 19.7% but the Zacks Retail-Wholesale sector is up 2.8%, in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 1.7% and 13.8%, respectively.

The S&P 500 index is down 9% in the year-to-date period but up 4% in the past year.

The stock is currently trading at 0.03X forward 12-month sales, which compares to 0.26X for the Zacks sub-industry, 1.03X for the Zacks sector and 3.3X for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.32X and as low as 0.01X, with a 5-year median of 0.09X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$14 price target reflects 0.03X forward 12-month sales.

The table below shows summary valuation data for RAD

Valuation Multiples - RAD					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.03	0.26	1.03	3.3
	5-Year High	0.32	0.79	1.11	3.44
	5-Year Low	0.01	0.24	0.8	2.54
	5-Year Median	0.09	0.44	0.93	3.02
EV/EBITDA TTM	Current	7.2	8.04	15.66	10.64
	5-Year High	14.25	13.66	16.33	12.86
	5-Year Low	NA	5.85	10.9	8.28
	5-Year Median	7.41	8.39	12.56	10.77
P/B TTM	Current	1.09	1.21	4.73	3.85
	5-Year High	151.4	3.21	5.88	4.55
	5-Year Low	0.27	1.06	3.6	2.84
	5-Year Median	2.72	2.3	4.83	3.64

As of 05/08/2020

Industry Analysis Zacks Industry Rank: Bottom 23% (194 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Cigna Corporation (CI)	Neutral	3
CVS Health Corporation (CVS)	Neutral	3
GNC Holdings Inc (GNC)	Neutral	3
Herbalife LTD (HLF)	Neutral	4
The Kroger Co (KR)	Neutral	2
Target Corporation (TGT)	Neutral	3
Walgreens Boots Alliance Inc (WBA)	Neutral	3
Walmart Inc (WMT)	Neutral	3

Industry Comparison Industry: Retail - Pharmacies And Drug Stores				Industry Peers		
	RAD	X Industry	S&P 500	CVS	GNC	WBA
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	3	3	3
VGM Score	C	-	-	A	D	A
Market Cap	730.86 M	730.86 M	20.19 B	82.50 B	47.38 M	36.55 B
# of Analysts	1	2	14	12	1	9
Dividend Yield	0.00%	0.00%	2.12%	3.17%	0.00%	4.39%
Value Score	F	-	-	A	D	A
Cash/Price	0.29	0.16	0.06	0.10	2.45	0.02
EV/EBITDA	13.27	9.69	11.95	9.69	4.92	9.40
PEG Ratio	NA	1.67	2.60	1.41	NA	1.92
Price/Book (P/B)	1.09	1.39	2.75	1.26	NA	1.52
Price/Cash Flow (P/CF)	2.18	5.50	10.78	6.03	0.49	4.97
P/E (F1)	NA	8.91	19.85	8.91	NA	7.53
Price/Sales (P/S)	0.03	0.32	2.03	0.32	0.02	0.26
Earnings Yield	-2.32%	4.88%	4.83%	11.23%	-57.14%	13.27%
Debt/Equity	8.61	0.21	0.75	1.29	-3.29	1.34
Cash Flow (\$/share)	6.13	3.36	7.01	10.47	1.14	8.38
Growth Score	B	-	-	A	C	B
Hist. EPS Growth (3-5 yrs)	NA%	6.03%	10.87%	10.58%	-49.43%	11.21%
Proj. EPS Growth (F1/F0)	-306.67%	-24.15%	-9.87%	0.08%	-228.00%	-7.64%
Curr. Cash Flow Growth	-53.93%	-16.33%	5.88%	-16.33%	-3.21%	-2.42%
Hist. Cash Flow Growth (3-5 yrs)	-16.86%	-4.76%	8.55%	14.66%	-21.34%	11.05%
Current Ratio	1.34	1.14	1.24	0.99	1.14	0.66
Debt/Capital	89.59%	57.25%	44.23%	56.34%	99.40%	57.25%
Net Margin	-2.06%	0.45%	10.68%	2.76%	-1.70%	2.52%
Return on Equity	0.87%	1.64%	16.36%	15.17%	-21.45%	21.26%
Sales/Assets	2.13	1.75	0.55	1.17	1.22	1.75
Proj. Sales Growth (F1/F0)	2.54%	1.17%	-2.26%	1.42%	-15.24%	1.17%
Momentum Score	D	-	-	C	D	B
Daily Price Chg	1.52%	2.72%	2.40%	2.72%	2.38%	2.48%
1 Week Price Chg	-5.09%	0.78%	0.53%	-4.19%	17.81%	-4.76%
4 Week Price Chg	2.30%	27.27%	2.68%	4.38%	27.27%	-5.25%
12 Week Price Chg	-6.05%	-6.05%	-19.20%	-12.33%	-74.43%	-22.21%
52 Week Price Chg	69.11%	-14.94%	-8.44%	14.04%	-71.28%	-22.20%
20 Day Average Volume	5,372,115	4,270,802	2,398,409	7,926,660	4,270,802	5,735,994
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.12%	0.00%	0.00%
(F1) EPS Est 4 week change	-568.85%	-29.47%	-6.95%	-0.55%	-3,100.00%	0.00%
(F1) EPS Est 12 week change	-346.55%	-33.66%	-15.68%	-0.70%	-161.94%	-5.49%
(Q1) EPS Est Mthly Chg	-285.71%	-7.33%	-13.12%	-7.33%	0.00%	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	F
Growth Score	B
Momentum Score	D
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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