

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-01-05** | Period of Report: **1993-11-27**  
SEC Accession No. **0000893220-94-000010**

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### FILER

#### **RITE AID CORP**

CIK: **84129** | IRS No.: **231614034** | State of Incorporation: **DE** | Fiscal Year End: **0304**  
Type: **10-Q** | Act: **34** | File No.: **001-05742** | Film No.: **94500382**  
SIC: **5912** Drug stores and proprietary stores

Mailing Address  
*PO BOX 3165  
HARRISBURG PA 17105*

Business Address  
*30 HUNTER LANE  
CAMP HILL OWN PA 17011  
7177612633*

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

FORM 10-Q

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

For the quarterly period ended November 27, 1993

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)

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

Not Applicable  
(Former name, former address and former fiscal year,  
if changed since last report)

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 X

NO

-----

-----

Indicate the number of shares outstanding of each of the issuer's classes of

common stock, as of the latest practicable date.

<TABLE>

<CAPTION>

Class of Common stock	Outstanding at
<S>	November 27, 1993
\$1.00 par value	<C>
	88,081,859 shares

</TABLE>

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## RITE AID CORPORATION

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RITE AID CORPORATION  
FORM 10-Q  
FOR THE THIRTEEN WEEKS ENDED NOVEMBER 27, 1993

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements:

RITE AID CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEET  
(Dollars in Thousands)

<TABLE>  
<CAPTION>  
ASSETS

	November 27, 1993	February 27, 1993
	(UNAUDITED)	
<S>	<C>	<C>
Current Assets		
Cash	\$ 7,196	\$ 5,419
Accounts and Notes Receivable	209,147	196,075
Inventories	961,523	862,990
Prepaid Expenses	22,982	27,684
	-----	-----
Total Current Assets	1,200,848	1,092,168
	-----	-----
Property, Plant and Equipment	1,251,629	1,131,900
Less: Accumulated Depreciation and Amortization	580,325	532,486
	-----	-----
	671,304	599,414
	-----	-----
Intangible Assets		
Excess of Cost Over Underlying Equity in Subsidiaries	35,535	36,515

Lease Acquisition Costs	105,359	109,251
	-----	-----
	140,894	145,766
	-----	-----
Other Assets	41,835	37,884
	-----	-----
	\$2,054,881	\$1,875,232
	=====	=====

</TABLE>

See accompanying independent auditors' report and notes to condensed consolidated financial statements.

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RITE AID CORPORATION  
FORM 10-Q  
FOR THE THIRTEEN WEEKS ENDED NOVEMBER 27, 1993

Item 1. Financial Statements: (Continued)

RITE AID CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEET  
(Dollars in Thousands)

<TABLE>

<CAPTION>

LIABILITIES

November 27, 1993 February 27, 1993

(UNAUDITED)

<S>

<C>

<C>

Current Liabilities

Short-Term Debt and

Current Maturities of Long-Term Debt	\$ 30,813	\$ 30,694
--------------------------------------	-----------	-----------

Accounts Payable	238,473	174,955
------------------	---------	---------

Income Taxes	29,050	36,177
--------------	--------	--------

Sales and Other Taxes Payable	9,848	11,012
-------------------------------	-------	--------

Accrued Expenses	38,068	27,685
------------------	--------	--------

Total Current Liabilities	346,252	280,523
Long-Term Debt, Less Current Maturities	557,670	489,220
Deferred Income Taxes	73,335	69,846
Stockholders' Equity		
Common Stock	90,282	90,240
Additional Paid-In Capital	59,332	58,592
Retained Earnings	950,757	909,673
Cumulative Translation Adjustments	(808)	(923)
Cumulative Pension Liability Adjustments	(1,153)	(1,153)
Treasury Stock, At Cost	(20,786)	(20,786)
	1,077,624	1,035,643
	\$2,054,881	\$1,875,232

</TABLE>

See accompanying independent auditors' report and notes to condensed consolidated financial statements.

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RITE AID CORPORATION  
FORM 10-Q

FOR THE THIRTEEN WEEKS ENDED NOVEMBER 27, 1993

Item 1. Financial Statements: (Continued)

RITE AID CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENT OF INCOME  
(Dollars In Thousands Except Per Share Amounts)  
(UNAUDITED)

<TABLE>

<CAPTION>

THIRTY-NINE

THIRTY-NINE

	WEEKS ENDED NOVEMBER 27, 1993 -----	WEEKS ENDED NOVEMBER 28, 1992 -----
<S>	<C>	<C>
NET SALES		
Retail Drug	\$2,981,273	\$2,790,903
Specialty Retailing	153,151	138,077
Medical Services	46,283	47,955
	-----	-----
	3,180,707	2,976,935
	-----	-----
COSTS AND EXPENSES		
Cost of Goods Sold Including		
Occupancy Costs	2,330,999	2,177,344
Selling, General and		
Administrative Expenses	691,304	634,094
Interest Expense	23,535	24,508
	-----	-----
	3,045,838	2,835,946
	-----	-----
Income Before Taxes	134,869	140,989
Income Taxes	54,165	54,378
	-----	-----
NET INCOME	\$ 80,704	\$ 86,611
	=====	=====
EARNINGS PER SHARE	\$.92	\$.99
	=====	=====
CASH DIVIDENDS PER COMMON SHARE	\$.45	\$.4125
	=====	=====
AVERAGE SHARES OUTSTANDING	88,079,000	87,899,000

</TABLE>

See accompanying independent auditors' report and notes to condensed consolidated financial statements.

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RITE AID CORPORATION  
FORM 10-Q  
FOR THE THIRTEEN WEEKS ENDED NOVEMBER 27, 1993

Item 1. Financial Statements: (Continued)

RITE AID CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENT OF INCOME  
(Dollars In Thousands Except Per Share Amounts)  
(UNAUDITED)

<TABLE>  
<CAPTION>

	THIRTEEN WEEKS ENDED NOVEMBER 27, 1993 -----	THIRTEEN WEEKS ENDED NOVEMBER 28, 1992 -----
<S>	<C>	<C>
NET SALES		
Retail Drug	\$1,008,586	\$ 946,489
Specialty Retailing	53,043	48,260
Medical Services	16,198	14,699
	-----	-----
	1,077,827	1,009,448
	-----	-----
COSTS AND EXPENSES		
Cost of Goods Sold Including		
Occupancy Costs	791,402	738,883
Selling, General and		
Administrative Expenses	239,662	219,381
Interest Expense	9,206	8,247
	-----	-----
	1,040,270	966,511
	-----	-----
Income Before Taxes	37,557	42,937
Income Taxes	14,596	16,559
	-----	-----
NET INCOME	\$ 22,961	\$ 26,378
	=====	=====
EARNINGS PER SHARE	\$.26	\$.30
	=====	=====
CASH DIVIDENDS PER COMMON SHARE	\$.15	\$.1375
	=====	=====
AVERAGE SHARES OUTSTANDING	88,082,000	87,952,000

</TABLE>

See accompanying independent auditors' report and notes to condensed consolidated financial statements.



RITE AID CORPORATION  
FORM 10-Q

FOR THE THIRTEEN WEEKS ENDED NOVEMBER 27, 1993

Item 1. Financial Statements: (Continued)

RITE AID CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(Dollars in Thousands)  
(UNAUDITED)

<TABLE>  
<CAPTION>

	THIRTY-NINE WEEKS ENDED NOVEMBER 27, 1993 -----	THIRTY-NINE WEEKS ENDED NOVEMBER 28, 1992 -----
<S>	<C>	<C>
Operating Activities		
Income Before Income Taxes	\$ 134,869	\$ 140,989
Depreciation and Amortization	79,345	74,759
Accreted Interest on Zero Coupon Notes	8,591	7,566
Changes in Operating Assets and Liabilities, Net of Effects from Acquisitions	(24,456)	(103,674)
Income Taxes Paid	(57,803)	(59,554)
	-----	-----
Net Cash Provided by Operations	140,546	60,086
	-----	-----
Investing Activities		
Purchase of Property, Plant and Equipment	(138,713)	(92,489)
Purchase of Businesses, Net of Cash Acquired	(9,885)	(31,642)
Intangible Assets Acquired	(7,336)	(3,991)
Other	(1,665)	(6,494)
	-----	-----
Net Cash Provided (Used) by Investing Activities	(157,599)	(134,616)
	-----	-----
Financing Activities		
Proceeds from Sale of Long-Term Debt Securities	197,690	-
Proceeds (Payments) of Commercial Paper Borrowings	(139,000)	92,000

Proceeds (Payments) of Other Debt	(1,022)	(4,536)
Cash Dividends Paid	(39,620)	(36,243)
Proceeds from the Sale of Stock	782	3,293
	-----	-----
Net Cash Provided (Used) by Financing Activities	18,830	54,514
	-----	-----
Increase (Decrease) in Cash	\$ 1,777	\$ (20,016)
	=====	=====

</TABLE>

See accompanying independent auditors' report and notes to condensed consolidated financial statements.

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RITE AID CORPORATION

FORM 10-Q

FOR THE THIRTEEN WEEKS ENDED NOVEMBER 27, 1993

Item 1. Financial Statements: (Continued)

RITE AID CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1- BASIS OF PRESENTATION

The financial information included herein is unaudited. In addition, the financial information does not include all disclosures required under generally accepted accounting principles because certain note information included in the Company's annual report has been omitted; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary to a fair statement of the results for the interim periods. The report of KPMG Peat Marwick commenting upon their review accompanies the condensed consolidated financial statements included in Item 1 of Part I.

The results of operations for the thirty-nine and thirteen weeks ended November 27, 1993 and November 28, 1992 are not necessarily indicative of the results to be expected for the full year.

NOTE 2- EARNINGS PER SHARE

Earnings per share were computed by dividing net income by the

weighted average number of shares of common stock outstanding during the periods.

NOTE 3- INCOME TAXES

The Company's estimated annual effective tax rate reflects changes legislated by the Omnibus Budget Reconciliation Act of 1993 including a change in the federal statutory rate from 34% to 35%. In addition, income taxes for the thirty-nine weeks ended November 27, 1993, include a charge of \$1,754,000 as a result of applying the newly enacted tax rates to deferred tax balances as of February 27, 1993.

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RITE AID CORPORATION  
FORM 10-Q  
FOR THE THIRTEEN WEEKS ENDED NOVEMBER 27, 1993

Item 1. Financial Statements: (Continued)

INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Rite Aid Corporation  
Camp Hill, Pennsylvania

We have reviewed the condensed consolidated balance sheet of Rite Aid Corporation and subsidiaries as of November 27, 1993, and the related condensed consolidated statements of income for the thirteen and thirty-nine weeks ended November 27, 1993 and November 28, 1992, and the condensed consolidated statements of cash flows for the thirty-nine weeks ended November 27, 1993 and November 28, 1992. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to

above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Rite Aid Corporation and subsidiaries as of February 27, 1993, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated April 16, 1993, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of February 27, 1993, is fairly presented, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG PEAT MARWICK

Harrisburg, Pennsylvania  
January 4, 1994

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RITE AID CORPORATION  
FORM 10-Q  
FOR THE THIRTEEN WEEKS ENDED NOVEMBER 27, 1993

Item 2. Management's Discussion and Analysis of Financial Condition  
and Results of Operations:

Total corporate sales for the third quarter were \$1,077,827,000 or 6.8% higher than the sales reported for the same thirteen-week period a year ago. Sales year to date were up 6.8% over last year to \$3,180,707,000. The retail drug segment contributed over 90% of the revenue gains from the 119 drugstores added during the previous twelve months and through same-store sales increases of 2.8% and 3.1% for the thirteen and thirty-nine weeks ended November 27, 1993, respectively. The low same-store gains reflect weak sales of non-pharmacy merchandise, a recent decline in cigarette prices, and continued slowdown in prescription-drug price inflation. Rite Aid operated 2,679 drugstores as of November 27, 1993.

Cost of goods sold including occupancy costs, as a percentage of sales, was 73.4% and 73.3% for the current quarter and year-to-date periods versus 73.2% and 73.1% for the respective year-earlier periods. The growth of third party prescription sales, which usually have lower margins than the other pharmacy sales, continued to pressure gross profits. Third party prescription sales accounted for 54.4% of pharmacy revenues for the thirteen weeks and 53.7% for the thirty-nine weeks ended November 27, 1993. For the comparable periods last

year, third party to pharmacy sales were 51.7% and 51.0%, respectively.

Selling, general and administrative expenses amounted to 22.2% of sales for the quarter, versus 21.7% for the similar prior year period, and 21.7% year to date compared to 21.3% a year earlier. Lower same-store sales increases of 2.8% for the current thirteen weeks against 4.7% last year, and 3.1% year to date from 5.3%, provided less leverage against operating expenses. Also, there were additional costs associated with the chainwide installation of point-of-sale cash registers and satellite equipment, as well as a higher number of drugstore openings and closings. Thus far during fiscal 1994, there were 161 store openings and 55 closings. Last fiscal year during the same period, 136 stores were opened, and 28 were closed.

Interest expense was \$9,206,000 for the thirteen weeks and \$23,535,000 for the thirty-nine weeks ended November 27, 1993. Last year, interest expense was \$8,247,000 and \$24,508,000, respectively. In August 1993, Rite Aid repaid a large portion of its outstanding commercial paper through the use of proceeds from the sale of \$200,000,000, 6 7/8% senior debentures due August 15, 2013. The increased expense for the current quarter reflects the higher rate associated with this long-term financing compared to that of the short-term commercial paper repaid.

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RITE AID CORPORATION  
FORM 10-Q  
FOR THE THIRTEEN WEEKS ENDED NOVEMBER 27, 1993

Item 2. Management's Discussion and Analysis of Financial Condition  
and Results of Operations: (Continued)

The effective income tax rate increased to 38.9% for the quarter and 40.2% year to date, from 38.6% for both year-earlier periods. The estimated fiscal 1994 effective tax rate was revised to reflect changes legislated by the Omnibus Budget Reconciliation Act of 1993, including a change in the federal statutory rate from 34% to 35%. In addition, income taxes for the thirty-nine weeks ended November 27, 1993, were increased by \$1,754,000 as a result of applying the newly enacted tax rates to deferred tax balances as of February 27, 1993.

Working capital was \$854,596,000 at November 27, 1993, compared to \$811,645,000 at February 27, 1993, and the current ratios were 3.5:1 and 3.9:1, respectively. Cash provided by operating activities continued to be adequate

in supplying working capital, paying dividends, and financing much of the capital expenditures. Internally generated cash was supplemented in August 1993 through the issuance of \$200,000,000, 6 7/8% senior debentures due August 15, 2013. The proceeds from this offering were used to repay a large portion of Rite Aid's outstanding short-term commercial paper.

Based on the above, management believes that the company is financially strong and has the resources to meet its obligations, continue its growth and take advantage of new opportunities as they arise. If needed, Rite Aid has the ability to enhance its liquidity through the use of \$225,000,000 in debt securities that remain available in previously filed Form S-3 shelf registration statements.

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RITE AID CORPORATION  
FORM 10-Q  
FOR THE THIRTEEN WEEKS ENDED NOVEMBER 27, 1993

PART II

Item 6. Exhibits and Reports on Form 8-K:

(a) Exhibits

Item 11. - Statement regarding computation of per share earnings

Item 15. - Copy of letter from independent accountants' regarding unaudited interim financial information

(b) Reports on Form 8-K

On October 25, 1993, a Form 8-K was filed with the Securities and Exchange Commission to report the resignation of Mr. Richard Kogan as a director of Rite Aid Corporation effective October 18, 1993.

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 thereunto duly authorized.

RITE AID CORPORATION

(Registrant)

Date: January 4, 1994  
-----

/S/ Frank Bergonzi  
-----

Frank Bergonzi  
Senior Vice President,  
Finance

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## EXHIBIT 11

RITE AID CORPORATION AND SUBSIDIARIES  
 STATEMENT RE COMPUTATION OF PER SHARE EARNINGS  
 THIRTY-NINE WEEKS ENDED NOVEMBER 27, 1993 AND NOVEMBER 28, 1992  
 (In Thousands Except Per Share Amounts)

&lt;TABLE&gt;

&lt;CAPTION&gt;

	1993 ----	1992 ----
<S>	<C>	<C>
Earnings Per Common Share - Assuming No Dilution		
Earnings		
Net income	\$80,704 =====	\$86,611 =====
Shares		
Weighted average number of common shares outstanding	88,079 =====	87,899 =====
Primary earnings per common share	\$.92 =====	\$.99 =====
Earnings Per Common Share - Assuming Full Dilution		
Earnings		
Net income as reported	\$80,704	\$86,611
Add after tax interest expense applicable to 6 3/4% convertible debentures (a)	5,141 -----	4,648 -----
Net income as adjusted	\$85,845 =====	\$91,259 =====
Shares		
Weighted average number of common shares outstanding	88,079	87,899
Assuming conversion of 6 3/4% convertible debentures	6,397	6,397
Assuming exercise of options reduced by the number of shares which could have been purchased with the proceeds from exercise of such options	275 -----	299 -----
Weighted average number of		



common shares outstanding as adjusted	94,751 =====	94,595 =====
Earnings per common share assuming full dilution	\$.91 (b) =====	\$.97 (b) =====

</TABLE>

- (a) Shown net of income taxes which were calculated at the company's effective tax rate.
- (b) This calculation is submitted in accordance with Regulation S-K item 601 (b) (11) although not required by APB Opinion No. 15 since dilution is less than 3%.

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EXHIBIT 11

RITE AID CORPORATION AND SUBSIDIARIES  
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS  
THIRTEEN WEEKS ENDED NOVEMBER 27, 1993 AND NOVEMBER 28, 1992  
(In Thousands Except Per Share Amounts)

<TABLE>  
<CAPTION>

	1993 ----	1992 ----
<S> Earnings Per Common Share - Assuming No Dilution	<C>	<C>
Earnings		
Net income	\$22,961 =====	\$26,378 =====
Shares		
Weighted average number of common shares outstanding	88,082 =====	87,952 =====
Primary earnings per common share	\$.26 =====	\$.30 =====
Earnings Per Common Share - Assuming Full Dilution		
Earnings		
Net income as reported	\$22,961	\$26,378
Add after tax interest expense applicable to 6 3/4% convertible debentures (a)	1,771 -----	1,549 -----

Net income as adjusted	\$24,732 =====	\$27,927 =====
Shares		
Weighted average number of common shares outstanding	88,082	87,952
Assuming conversion of 6 3/4% convertible debentures	6,397	6,397
Assuming exercise of options reduced by the number of shares which could have been purchased with the proceeds from exercise of such options	275 -----	299 -----
Weighted average number of common shares outstanding as adjusted	94,754 =====	94,648 =====
Earnings per common share assuming full dilution	\$.26 (b) =====	\$.30 (b) =====

</TABLE>

- (a) Shown net of income taxes which were calculated at the company's effective tax rate.
- (b) This calculation is submitted in accordance with Regulation S-K item 601 (b) (11) although not required by APB Opinion No. 15 since dilution is less than 3%.

(KPMG PEAT MARWICK LETTERHEAD)

Exhibit 15

Rite Aid Corporation  
Camp Hill, Pennsylvania

Gentlemen:

Re: Registration Statement No. 2-87981; No. 2-80136 and No. 33-63794

With respect to the subject registration statements, we acknowledge our awareness of the incorporation by reference therein of our report dated January 4, 1994 related to our review of interim financial information.

Pursuant to Rule 436(c) under the Securities Act of 1933, such report is not considered a part of a registration statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

Very truly yours,

KPMG PEAT MARWICK

Harrisburg, Pennsylvania  
January 4, 1994