

Market challenges mount for Vitamin Shoppe; equity and bond prices drop

CAPITAL STRUCTURE AS OF 2Q17 (USDm)											
Instrument	Coupon	Floor	Maturity ¹	Face Amt Out	Price	Market Amount	Yield	Est. Cash Interest	Rating	LTM Leverage	FY17E Leverage
Revolving Credit Facility (USD 90m)	Eurodollar rate + 1.00% -1.25%		May-2022	3.0		3.0		0.1			
Total Secured Debt				3.0		3.0		0.1			
Convertible Senior Notes	2.25%		Dec-2020	143.8	74.5	107.1	12.0%	3.2			
Total Debt				146.8		110.1		3.3		1.3x	1.9x
Cash & Cash Equivalents				2.0		2.0					
Net Debt				144.7		108.1					
Market Cap				127.3		127.3					
Enterprise Value (EV)				272.0		235.4					
LTM Adj. EBITDA				109.3					EV / LTM Adj. EBITDA		2.5x
FY17 E Adj. EBITDA				75.4					EV / FY17 E Adj. EBITDA		3.6x

1. The maturity date would be any day on or after 2 September 2020 if the company does not have enough liquidity to retire its convertible notes

Sources: Company reports, company filings, CapIQ, DW estimates.

DW calculated adjusted EBITDA is used in the capital structure table and quick comps, except when noted

RECENT COVERAGE & USEFUL LINKS

[Click here for the Excel model](#)

[Click Here for Debtwire Coverage](#)

OVERVIEW

The **Vitamin Shoppe (VSI)** is a specialty retailer and manufacturer of vitamins, minerals, herbs, specialty supplements, sports nutrition, and other health and wellness products. VSI operates through two business segments: Retail, which includes Vitamin Shoppe and Super Supplements store formats and its e-commerce platform, and Manufacturing, which consists of its Nutri-Force manufacturing operations. The company markets approximately 900 third-party brands as well as its own varieties. As of 1 July, it operated 783 stores in the US and Puerto Rico.

In May, we published a [tear sheet](#) highlighting VSI's challenges related to the wider availability of VMS (vitamin, minerals and supplement) channels. As a result of the expected overall growth in the general VMS industry, we believe the market will remain competitive, with online players increasingly focused on the category. Since our last report, the stock price has decreased by ~73% to USD 5.35, amidst intensifying competitive trends and valid concerns about the future of the company's brick and mortar-focused business model.

In recent quarters, management has witnessed more aggressive competitor pricing and promotional strategies, resulting in lower customer traffic and a reduction in net sales. Vitamin Shoppe competes with other VMS specialty retailers, drugstore chains, grocery stores, wholesale retailers, club chains and online companies, like Amazon. VSI's revenue declines have been meaningful enough (down 7% YTD) to offset some cost saving improvements that the company has made.

To face the challenges, the company has implemented new pricing and promotional strategies. This includes a customer auto-delivery subscription program (SPARK™ Auto-Delivery), which the company hopes will help reverse sales declines, and provide more convenience for customers. However, we think the auto-delivery subscription model is common, and its competitors already offer the same online, or on third party websites such as Amazon. VSI plans to increase marketing expense for the balance of the year, as its previous outspend has been insufficient to drive customer traffic. On the cost side, to rationalize its supply chain network, VSI plans to close a New Jersey distribution center by the end of FY17.

Besides a competitive market affecting the top-line, VSI's Nutri-Force segment has struggled significantly. Nutri-Force, a manufacturer for the company's products, was acquired by VSI (for ~USD 85m) in June 2014 as an attempt to benefit strategically from vertical integration. Since the acquisition, Nutri-Force has experienced poor results due to issues optimizing production capacity, volatility in sales performance, the loss of third party customers and inability to reduce costs. The company has engaged outside consultants to help turnaround the division, and expects to incur restructuring costs in the range of USD 16m to USD 20m during FY17.

The major players in the VMS specialty retailer market are experiencing the same challenges. VSI's main competitor, GNC Holdings Inc (GNC) [has posted six consecutive quarters of YoY revenue declines](#). GNC is much larger in size compared to VSI, operating 8,968 stores globally. At the end of 4Q16, GNC launched a strategy that included offering about 50% of its products at lower prices, while increasing the price of a quarter of its products. Given GNC's size, its lower-priced products in the market could continue to have an effect on VSI. As of 1Q17, GNC has increased its emphasis to sell its products on Amazon, as a main element in its omni-channel strategy, where VSI also has a storefront page.

On 11 September, Vitamin World, a NY-based VMS retailer, [filed for Chapter 11 protection to restructure its balance sheet](#) and close at least 51 underperforming retail locations (334 retail stores as of the petition date). The company experienced supply chain issues as well as declines in sales due to market conditions, above-market rent payments and underperforming stores.

CAPITAL STRUCTURE & CREDIT STATS

VSI's capital structure consists of a USD 90m revolving credit facility (USD 3.0m outstanding) due 2022 and 2.25% USD 143.8m convertible notes due 2020. The notes are currently trading at 74.5, yielding 12.0%, as of 12 September, down 19 points YTD. The maturity date on the revolver, led by JPMorgan Chase, would spring to any day after 2 September 2020 if the company does not have enough liquidity to retire its convertible notes. In May, the revolver expiration date was pushed out from a previous maturity of 2018.

As of 2Q17, the company operated at a net leverage of 1.3x, based on total net-debt of USD 144.7m and TTM adjusted EBITDA of USD 109.3m. We project leverage just inside ~2.0x, by the end of the year.

ISSUER SUMMARY

Country	United States
Universe	Stressed
Sector	Retail
Total Assets (millions)	USD 582.5m
Total Debt (millions)	146.8
Issuer Rating	-
Ticker	VSI
Share Price	5.35
Market Cap (millions)	127.3

Source: Company filings

LIQUIDITY as of 2Q17 (USDm)

Cash & Cash Equivalents	2.0
Credit Facility Availability	84.0
Total Liquidity	86.0

FINANCIAL SUMMARY

USDm	FY15	FY16	TTM 2Q17
Revenue	1,266.5	1,289.2	1,241.4
Adj. EBITDA	136.0	130.6	109.3
Operating Cash Flow	60.7	93.4	76.5
Capex	39.4	40.1	47.4
Free Cash Flow	21.3	53.3	29.1
Debt/Adj. EBITDA	0.9x	1.2x	1.3x
Adj. EBITDA/Int Exp	309.2x	35.2x	28.0x

Source: Company filings, Debtwire Adj. EBITDA

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2Q17 FINANCIAL RESULTS

On 9 August, Vitamin Shoppe released poor financial results for its second quarter, ending 1 July. As a result, the company's bond and stock prices dropped ~8% and ~38%, respectively. For the quarter, total sales dropped 8.4% YoY to USD 304.8m. Comparable store sales were down 8.3% YoY, including a 20.2% decrease in vitaminshoppe.com comparable sales. The large decrease was attributed to market competitiveness, particularly in the sports categories (accounting for ~70% of comp decline), in addition to a sales promotion last year that was not repeated.

2Q17 results included a USD 168.1m impairment charge (related to the recent significant decrease in market cap) and USD 13.7m charge associated with the Nutri-Force turnaround. The company opened three stores in the quarter.

LIQUIDITY, OUTLOOK, PROJECTIONS

As of 1 July, the company had USD 86m in liquidity, consisting of USD 2m in cash and USD 84m in revolver availability. The company has a recent history of generating positive free cash flow, which is on a declining trend, with USD 29.1m in LTM 2Q17 and USD 53.3m in FY16. We note that free cash flow has deteriorated significantly as of recently, illustrated by its approximately breakeven free cash flow in 2Q17. For FY17, we project total sales to decline ~7.6%, with ~USD 19.2m in pre-working capital free cash flow, in our base-case scenario.

Due to low (and decreasing) margins and a relatively high revenue base (USD 1.24bn TTM revenue, USD 109.3m in TTM adjusted EBITDA), VSI may be prone to large changes in profitability, and consequently, liquidity. In our base case, while we project the continuation of decreasing FCF, we forecast some liquidity runway, due to its access to the revolver. However, in our low case, the company would draw meaningfully on its revolver and have thin liquidity by the end of FY18. In the near-term, during its efforts to turnaround the business, VSI will benefit from the room in maturity on its debt stack, in any case. For FY17, the company is expecting capital expenditures of approximately USD 45m (USD 28.4m YTD), related to the build out of the distribution center in Arizona, IT investments, approximately 15 new stores and 10-15 brand defining store transformations. As of 1 July, VSI opened nine stores and closed one store YTD.

Based on the company's own analysis, it has found that many of its products are no longer competitively priced in today's online-focused environment. Considering intensifying competition, immense market pressures to reduce prices, constant cash operating costs, while increasing marketing spend, and further restructuring costs associated with Nutri-Force, our confidence that

VSI's turnaround bid will result in increased profitability is limited. A potential successful turnaround would likely include an increase in online sales, focus on more profitable products and growth in subscription-based programs. The company is making an effort to build an online subscriber-based sale stream, which it will look to gain an advantage over other online players due to its specialty, focus and customization. However, we think this model already exists with competitors and VSI may still be challenged to compete on price of product. Moreover, the restructuring costs, and lack of profitability from Nutri-Force may continue to hurt the company, at least in the near-term.

With regards to its real estate, the company has been transforming stores (including 7 stores last quarter) into its new brand defining store [BDS] format, which feature an expanded product assortment, sampling stations and space for events (like educational workshops with nutritionists). As of June, VSI was [working with CB Richard Ellis \(CBRE\)](#) to potentially shut down some of its underperforming stores, as reported by *Debtwire*.

VALUATION AND HYPOTHETICAL LIQUIDATION ANALYSIS

The company does not own any of its stores, and its balance sheet (as of 2Q17) includes a relatively high amount of goodwill, intangible assets and prepaid expenses. Also, USD 233.3m of its assets are tied in inventories, which could have more downside than upside, given the characteristics of the products and its shelf-life. In our base case hypothetical liquidation analysis, the convertible notes receive a 56% recovery, with a high-to-low range of 86% to 28%, considering the current capital structure. Though, with USD 84m in availability on the company's senior secured revolver, and only USD 2m of cash on the balance sheet, we think the asset-based recovery value for the notes could have further downside with possible revolver draws.

As pointed out above, due to low EBITDA margins (2Q17: 7.9%), and an uncertain (at best) operating environment, we think the company's future EBITDA could vary considerably in our projected case-scenarios. As a result, we lean more towards our asset-based valuation. In our waterfall, based on a base-case ~USD 75m FY17 adjusted EBITDA, and a 3.0x-4.0x multiple, the convertible notes receive a full recovery. Again, we think there is further downside to this valuation, due to possible increases in revolver drawdowns. In contrast, we think any meaningful growth in a subscriber-based program could have a positive impact on valuation due to the possible benefits related to a potentially more reliable source of sales. However, any possible major realization with subscriber-based revenue streams remains to be seen.

2.25% Convertible Senior Notes Price Chart (YTD)



Source: CapiQ

Segment Revenue		
Calendar Period USDm	2Q17	2Q16
Retail	296.4	321.1
Manufacturing	23.3	20.8
Elimination of Intersegment Sales	-14.9	-9.1
Total Net Sales	304.8	332.7

Source: SEC filings

Comp Store Sales				
Calendar Period	3 Months		6 Months	
	2Q17	2Q16	2Q17	2Q16
Increase (decrease) in total comparable net sales	-8.3%	1.6%	-7.3%	-0.2%

Source: SEC filings

Store Count													
Calendar Period	2014	2015	2016	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Stores open at beginning of period	659	717	758	717	725	734	748	758	766	771	774	775	780
Stores opened	61	50	26	11	13	15	11	9	9	5	3	6	3
Stores closed	(3)	(9)	(9)	(3)	(4)	(1)	(1)	(1)	(4)	(2)	(2)	(1)	0
Stores open at end of period	717	758	775	725	734	748	758	766	771	774	775	780	783
Average retail square footage at end of period (in thousands)	3,582	3,511	3,495	3,558	3,535	3,522	3,511	3,505	3,503	3,501	3,495	3,489	3,488
Total retail square footage at end of period (in thousands)	2,568	2,662	2,709	2,579	2,595	2,634	2,662	2,685	2,701	2,710	2,709	2,722	2,731

Source: SEC filings

CASH FLOW ENTERPRISE VALUE WATERFALL ANALYSIS

HYPOTHETICAL LIQUIDATION ANALYSIS

WATERFALL (FY17 Adj. EBITDA multiples)					
USDm	Lowest Case	Low Base	Base Case	High Base	Highest Case
	50.4	62.9	75.4	83.1	90.9
Multiples					
2.5x	126.0	157.3	188.6	207.9	227.1
3.0x	151.2	188.7	226.3	249.4	272.6
3.5x	176.3	220.2	264.0	291.0	318.0
4.0x	201.5	251.7	301.8	332.6	363.4
4.5x	226.7	283.1	339.5	374.2	408.8
Cash and Cash Equivalents @ FY17-end			8.2		

Senior Secured Bank Debt	Availability:	84.0	Outstanding	3.0
2.5x	4471.6%	6559.6%	7201.8%	7843.9%
3.0x	5311.3%	6564.1%	7817.0%	8587.5%
3.5x	6151.1%	7612.7%	9074.3%	9973.3%
4.0x	6990.8%	8661.2%	10331.7%	11359.1%
4.5x	7830.6%	9709.8%	11589.0%	12744.9%

Convertible Senior Notes	Trading @	74.5	Outstanding	143.8
2.5x	91.2%	113.0%	134.8%	148.2%
3.0x	108.8%	134.9%	161.0%	177.1%
3.5x	126.3%	156.8%	187.3%	206.1%
4.0x	143.8%	178.7%	213.5%	235.0%
4.5x	161.3%	200.6%	239.8%	263.9%

Equity	Stock Price	5.35
2.5x	0.00	0.79
3.0x	0.53	2.11
3.5x	1.59	3.43
4.0x	2.65	4.75
4.5x	3.71	6.08

Equity (recovery)					
2.5x	0.0%	14.7%	39.3%	54.5%	69.6%
3.0x	9.9%	39.4%	69.0%	87.1%	105.3%
3.5x	29.7%	64.1%	98.6%	119.8%	141.0%
4.0x	49.5%	88.9%	128.2%	152.4%	176.7%
4.5x	69.3%	113.6%	157.9%	185.1%	212.4%

Equity	
Shares Outstanding (m)	23.8
Current Price	5.35

Balance Sheet	Assumed Recovery	Liquidation Value					
USDm	2Q17	Low Base High	Low Base High				
Current Assets							
Cash and Cash Equivalents	2.0	100%	100%	100%	2.0	2.0	2.0
Accounts Receivables	3.0	20%	35%	45%	0.6	1.0	1.3
Inventories	233.3	10%	15%	20%	23.3	35.0	46.7
Prepaid Expenses and Other Current Assets	36.6	0%	5%	10%	0.0	1.8	3.7
Total Current Assets	274.9				25.9	39.9	53.7
Non Current Assets							
Property and Equipment, net	151.5	13%	25%	38%	18.9	37.9	56.8
Goodwill	46.3	0%	0%	0%	0.0	0.0	0.0
Other Intangibles-net	79.1	0%	10%	25%	0.0	7.9	19.8
Other Assets	30.7	10%	20%	30%	3.1	6.1	9.2
Total Assets	582.5				47.9	91.8	139.5
				Recovery on Assets	8%	16%	24%

Total Debt	146.8
General Unsecureds	140.2
Total Liabilities	287.0

Waterfall (Liquidation Scenario)	Recovery Rates			
	Low	Base	High	
Admin cost (% of asset value)	9%			
Amount Out @ 2Q17				
Senior Secured Bank Debt	3.0	1454.0%	2784.3%	4230.2%
Convertible Senior Notes	143.8	28.3%	56.0%	86.2%
General Unsecureds	140.2	0.0%	0.0%	0.0%
Equity-Market Cap	127.3	0.0%	0.0%	0.0%
Remaining, after paying				
Admin cost (% of asset value)	43.6	83.5	126.9	
Senior Secured Bank Debt	40.6	80.5	123.9	
Convertible Senior Notes	(103.1)	(63.2)	(19.8)	
General Unsecureds	(243.4)	(203.4)	(160.1)	
Equity-Market Cap	(370.6)	(330.7)	(287.3)	

LENDER

Revolver Lender Group
Agent
JPMorgan Chase

Source: Credit agreement

CASH FLOW (BURN) MODEL

Cash Flow (Burn) Model		Case Selected: Base Case		Historical Period						Projection Period						
USDm	FY14	FY15	1Q16	2Q16	3Q16	4Q16	FY16	1Q17	2Q17	3Q17	4Q17	FY17	FY18	FY19	FY20	FY21
Revenue	1,213.0	1,266.5	336.8	332.7	314.9	304.8	1,289.2	316.9	304.8	289.1	279.8	1,190.6	1,113.2	1,057.6	1,025.9	995.1
% growth		4.4%					1.8%	-5.9%	-8.4%	-8.2%	-8.2%	-7.6%	-6.5%	-5.0%	-3.0%	-3.0%
Cost of Goods Sold	808.8	847.6	220.5	224.9	212.8	204.7	862.9	218.1	218.2	202.3	195.0	833.7	774.8	734.0	710.9	689.6
% revenue	66.7%	66.9%	65.5%	67.6%	67.6%	67.2%	66.9%	68.8%	71.6%	70.0%	69.7%	70.0%	69.6%	69.4%	69.3%	69.3%
Gross Margin	404.3	418.9	116.2	107.8	102.1	100.1	426.3	98.8	86.6	86.7	84.8	356.9	338.4	323.6	314.9	305.5
% revenue	33.3%	33.1%	34.5%	32.4%	32.4%	32.8%	33.1%	31.2%	28.4%	30.0%	30.3%	30.0%	30.4%	30.6%	30.7%	30.7%
Selling, General and Administrative Expenses	301.6	329.9	89.0	87.1	81.9	122.9	380.8	83.2	86.8	85.3	86.6	341.9	335.1	334.9	334.9	334.9
% revenue	24.9%	26.0%	26.4%	26.2%	26.0%	40.3%	29.5%	26.3%	28.5%	29.5%	31.0%	28.7%	30.1%	31.7%	32.6%	33.7%
% inc/(dec)YoY		9.4%					15.4%	-6.5%	-0.4%	4.2%	-29.5%	-10.2%	-2.0%	-0.1%	0.0%	0.0%
Goodwill and store fixed-asset impairment charges									168.1			168.1				
DW Calc. Operating income (loss)	102.7	89.0	27.3	20.7	20.3	(22.8)	45.5	15.6	(168.3)	1.4	(1.8)	(153.0)	3.4	(11.3)	(20.0)	(29.4)
Operating Income Margin	8.5%	7.0%	8.1%	6.2%	6.4%	-7.5%	3.5%	4.9%	-55.2%	0.5%	-0.7%	-12.9%	0.3%	-1.1%	-1.9%	-3.0%
(+) Depreciation and amortization	34.2	38.5	10.1	9.4	9.4	10.0	38.8	7.8	8.0	8.0	8.0	31.9	31.9	31.9	31.9	31.9
(+) Stock-based comp	6.9	5.5	1.7	1.8	1.2	1.6	6.3	1.6	2.7	1.9	1.9	8.1	8.1	8.1	8.1	8.1
(+) Impairments	0.4	1.2	0.2	0.0	0.2	39.6	40.0	0.0	168.1	0.0	0.0	168.1	0.0	0.0	0.0	0.0
(+) Restructuring Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	13.7	3.3	2.8	20.4	0.0	0.0	0.0	0.0
(+) Acquisition and Integration Costs	10.2	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DW Calc. Adj. EBITDA	154.4	136.0	39.3	31.9	31.0	28.4	130.6	25.7	24.2	14.6	10.9	75.4	43.3	28.7	20.0	10.6
Adj. EBITDA Margin	12.7%	10.7%	11.7%	9.6%	9.8%	9.3%	10.1%	8.1%	7.9%	5.1%	3.9%	6.3%	3.9%	2.7%	2.0%	1.1%
Free Cash Flow:																
DW Calc. Adj. EBITDA																
(-) Interest Expense	0.2	0.4	0.1	1.7	0.1	1.8	3.7	0.3	1.7	0.3	1.7	3.9	3.9	3.9	3.9	3.9
(-) Capital Expenditures	43.0	39.4	11.7	9.3	10.2	8.8	40.1	10.1	18.2	8.5	8.5	45.4	31.0	30.0	30.0	30.0
(-) Taxes	37.6	33.7	0.1	21.6	9.3	2.7	33.7	0.1	6.5	0.4	0.0	7.0	0.0	0.0	0.0	0.0
FCF (exc. NWC)	73.6	62.5	27.4	(0.7)	11.3	15.0	53.2	15.2	(2.2)	5.5	0.7	19.2	8.5	(5.2)	(13.8)	(23.3)
Beginning Cash										2.0	7.5		8.2	16.7	11.5	0.2
(+) FCF (exc. NWC)										5.5	0.7		8.5	(5.2)	(13.8)	(23.3)
Ending Cash (cash before financing activities)										7.5	8.2		16.7	11.5	(2.4)	(23.1)
Beginning Revolver Availability										84.0	84.0		84.0	84.0	84.0	81.4
(-) Revolver Draw										0.0	0.0		0.0	0.0	2.6	23.3
Ending Revolver Availability										84.0	84.0		84.0	84.0	81.4	58.2
(+) Revolver Availability										84.0	84.0		84.0	84.0	81.4	58.2
Ending Liquidity (before financing activities)										91.5	92.2		100.7	95.5	81.6	58.4
Credit Stats:																
Total Debt	8.0	123.5					154.8	143.8	146.8	146.8	146.8		146.8	146.8	149.3	172.6
TTM Adj. EBITDA	154.4	136.0					130.6	117.1	109.3	93.0	75.4		43.3	28.7	20.0	10.6
Debt/TTM Adj. EBITDA	0.1x	0.9x					1.2x	1.2x	1.3x	1.6x	1.9x		3.4x	5.1x	7.5x	16.3x
TTM Interest Expense	0.2	0.4					3.7	3.9x	3.9	4.0	3.9		3.9	3.9	3.9	3.9
Adj. EBITDA/Interest Expense	620.2x	309.2x					35.2x	29.8x	28.0x	23.0x	19.5x		11.2x	7.4x	5.2x	2.7x

COMPARABLE COMPANY ANALYSIS

USDm	Company Comp Set										
Company Name	Market Cap	LTM Net Debt	Enterprise Value	LTM Revenue	LTM EBITDA	EV/EBITDA LTM	LTM EBITDA Margin %	NTM Revenue (Capital IQ)	NTM EBITDA (Capital IQ)	NTM EV/Forward Revenue (Capital IQ)	NTM TEV/Forward EBITDA (Capital IQ)
GNC Holdings, Inc. (NYSE:GNC)	566.2	1,457.8	2,024.0	2,483.7	278.9	7.3x	11.2%	2,447.9	261.0	0.8x	7.8x
Vitamin Shoppe, Inc. (VSI)	127.3	144.7	272.0	1,241.4	109.3	2.5x	8.8%	1,190.6	75.4	0.2x	3.6x

FINANCIAL SUMMARY (ANNUAL)

Income Statement			
For the Fiscal Period Ending	12 months Dec-27-2014	12 months Dec-26-2015	12 months Dec-31-2016
Currency	USD	USD	USD
Units	Thousands	Thousands	Thousands
Revenues			
Net Sales	1,213,046.0	1,266,549.0	1,289,243.0
Expenses			
Cost of Goods Sold	(808,787.0)	(847,634.0)	(862,887.0)
Selling, General and Administrative Expenses	(301,603.0)	(329,922.0)	(380,779.0)
Interest Expense, Net	(495.0)	(1,105.0)	(9,523.0)
Earnings before Taxes	102,161.0	87,888.0	36,054.0
Taxes and Other Expenses			
Provision for Income Tax	(40,920.0)	(34,717.0)	(11,090.0)
Net Income (Loss)	61,241.0	53,171.0	24,964.0
Supplementary Info			
Gross Profit/loss	404,259.0	418,915.0	426,356.0
Operating Income (Loss)	102,656.0	88,993.0	45,577.0
Basic EPS - Continuing Operations	2.0	1.8	1.1
Diluted EPS - Continuing Operations	2.0	1.8	1.0

Balance Sheet			
Balance Sheet as of:	Dec-27-2014	Dec-26-2015	Dec-31-2016
Currency	USD	USD	USD
Units	Thousands	Thousands	Thousands
Current Assets			
Cash and Cash Equivalents	12,166.0	15,104.0	2,833.0
Accounts Receivables	10,376.0	7,437.0	7,367.0
Inventories	187,027.0	226,830.0	241,736.0
Deferred Income Taxes	7,449.0	-	-
Prepaid Expenses and Other Current Assets	29,580.0	25,194.0	33,717.0
Total Current Assets	246,598.0	274,565.0	285,653.0
Non Current Assets			
Property and Equipment, net	140,596.0	140,158.0	139,132.0
Goodwill	243,269.0	243,269.0	210,633.0
Other Intangibles-net	89,025.0	87,270.0	79,489.0
Other Assets	2,903.0	3,429.0	19,277.0
Total Assets	722,391.0	748,691.0	734,184.0
Current Liabilities			
Accounts Payable	37,396.0	41,217.0	65,606.0
Accrued Expenses and Other Current Liabilities	53,321.0	47,776.0	52,290.0
Revolving Credit Facility	8,000.0	8,000.0	11,000.0
Deferred Sales	22,499.0	20,483.0	5,209.0
Total Current Liabilities	121,216.0	117,476.0	134,105.0
Non Current Liabilities			
Convertible Notes, Net	-	115,410.0	120,874.0
Deferred Income Taxes	9,151.0	-	-
Other Long-term Liabilities	702.0	615.0	1,720.0
Deferred Rent	39,388.0	39,889.0	37,489.0
Shareholders' Equity			
Common Stock - Par Value	301.0	260.0	236.0
Additional Paid in Capital	267,083.0	139,827.0	80,727.0
Treasury Stock - Common	(2,695.0)	(5,225.0)	(6,430.0)
Retained Earnings	287,328.0	340,499.0	365,463.0
Accumulated Other Comprehensive Loss	(83.0)	(60.0)	-
Total Shareholders Equity	551,934.0	475,301.0	439,996.0
Total Liabilities & Shareholders Equity	722,391.0	748,691.0	734,184.0

FINANCIAL SUMMARY (ANNUAL)

Cash Flow			
For the Fiscal Period Ending	12 months Dec-27-2014	12 months Dec-26-2015	12 months Dec-31-2016
Currency	USD	USD	USD
Units	Thousands	Thousands	Thousands
Operating Activities			
Net Income	61,241.0	53,171.0	24,964.0
Depreciation and Amortization	34,219.0	38,495.0	38,780.0
Amortization of Debt Discount on Convertible Notes	-	223.0	4,690.0
Amortization of Deferred Financing Fees	164.0	237.0	957.0
Impairment Charge on Intangible Assets	-	-	6,594.0
Impairment Charges on Fixed Assets	419.0	1,177.0	797.0
Impairment Charge on Goodwill	-	-	32,636.0
Equity Compensation Expense	6,901.0	5,491.0	6,292.0
Issuance of Shares for Services Rendered	-	167.0	333.0
Tax Benefit on Exercise of Equity Awards	(5,363.0)	509.0	739.0
Deferred Income Taxes	(3,950.0)	(1,364.0)	(13,683.0)
Other Assets	2,441.0	(139.0)	116.0
Other Long-term Liabilities	1,395.0	2,735.0	747.0
Deferred Rents	(503.0)	(2,294.0)	(3,226.0)
Other Operating Cash Flow Items	959.0	(959.0)	-
Accounts Receivable	1,499.0	2,939.0	70.0
Inventories	(2,458.0)	(38,284.0)	(13,078.0)
Accounts Payable	(9,869.0)	(3,709.0)	26,522.0
Deferred Sales	787.0	(2,011.0)	(15,277.0)
Prepaid Expenses and Other Current Assets	3,782.0	3,889.0	(8,521.0)
Accrued Expenses and Other Current Liabilities	8,483.0	394.0	2,921.0
Cash Flow from Operating Activities	100,147.0	60,667.0	93,373.0
Investing Activities			
Capital Expenditures	(42,957.0)	(39,403.0)	(40,068.0)
Acquisition of FDC Vitamins, Llc	(81,538.0)	487.0	-
Trademarks and Other Intangible Assets	(689.0)	(514.0)	(291.0)
Cash Flow from Investing Activities	(125,184.0)	(39,430.0)	(40,359.0)
Financing Activities			
Proceeds from Issuance of Convertible Notes	-	143,750.0	-
Bank Overdrafts	-	6,973.0	(1,041.0)
Repayment of Borrowings Under Revolving Credit Agreement	(7,000.0)	(47,000.0)	(79,000.0)
Borrowing Under Revolving Credit Agreement	15,000.0	47,000.0	82,000.0
Payment of Capital Lease Obligations	(152.0)	(80.0)	(207.0)
Proceeds from Exercise of Common Stock Options	9,393.0	1,352.0	90.0
Issuances of Shares Under Employee Stock Purchase Plan	923.0	892.0	823.0
Purchase of Treasury Stock	(2,415.0)	(2,530.0)	(1,205.0)
Purchase of Shares Under Share Repurchase Program	(57,815.0)	(146,108.0)	(66,011.0)
Tax Benefit on Exercise of Stock Options	5,363.0	(509.0)	(739.0)
Debt Issuance Costs on Convertible Notes	-	(4,593.0)	(2.0)
Proceeds from Sale of Warrants	-	12,966.0	-
Deferred Financing Fees	(174.0)	(93.0)	(12.0)
Bond Hedge Purchase	-	(26,407.0)	-
Contingent Consideration Payment for Acquisition of FDC Vitamins, Llc	-	(4,041.0)	-
Cash Flow from Financing Activities	(36,877.0)	(18,428.0)	(65,304.0)
Other Adjustments			
Foreign Exchange Rate Effect on Cash and Cash Equivalents	44.0	129.0	19.0
Cash Flow Net Changes in Cash	(61,870.0)	2,938.0	(12,271.0)
OCF-capex	57,190.0	21,264.0	53,305.0

Source: CapIQ

FINANCIAL SUMMARY (QUARTERLY)

Income Statement						
For the Fiscal Period Ending	3 months Jun-25-2016	3 months Sep-24-2016	3 months Dec-31-2016	3 months Apr-01-2017	3 months Jul-01-2017	TTM Jul-01-2017
Currency	USD	USD	USD	USD	USD	USD
Units	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands
Revenues						
Net Sales	332,717.0	314,887.0	304,865.0	316,901.0	304,837.0	1,241,490.0
Expenses						
Cost of Goods Sold	(224,893.0)	(212,762.0)	(204,705.0)	(218,087.0)	(218,222.0)	(853,776.0)
Selling, General and Administrative Expenses	(87,100.0)	(81,852.0)	(122,842.0)	(83,205.0)	(86,779.0)	(374,678.0)
Interest Expense, Net	(2,352.0)	(2,363.0)	(2,546.0)	(2,412.0)	(2,374.0)	(9,695.0)
Goodwill and Store Fixed-asset Impairment Charges	-	-	-	-	(168,090.0)	(168,090.0)
Earnings before Taxes	18,372.0	17,910.0	(25,228.0)	13,197.0	(170,628.0)	(164,749.0)
Taxes and Other Expenses						
Provision for Income Tax	(7,939.0)	(6,547.0)	13,614.0	(5,201.0)	14,209.0	16,075.0
Net Income (Loss)	10,433.0	11,363.0	(11,614.0)	7,996.0	(156,419.0)	(148,674.0)
Supplementary Info						
Gross Profit/loss	107,824.0	102,125.0	100,160.0	98,814.0	86,615.0	387,714.0
Operating Income (Loss)	20,724.0	20,273.0	(22,682.0)	15,609.0	(168,254.0)	(155,054.0)
Basic EPS - Continuing Operations	0.4	0.5	(0.5)	0.4	(6.7)	(6.4)
Diluted EPS - Continuing Operations	0.4	0.5	-	0.4	(6.7)	(5.9)

FINANCIAL SUMMARY (QUARTERLY)

Balance Sheet					
Balance Sheet as of:	Jun-25-2016	Sep-24-2016	Dec-31-2016	Apr-01-2017	Jul-01-2017
Currency	USD	USD	USD	USD	USD
Units	Thousands	Thousands	Thousands	Thousands	Thousands
Current Assets					
Cash and Cash Equivalents	1,992.0	2,023.0	2,833.0	2,099.0	2,003.0
Accounts Receivables	5,381.0	6,958.0	7,367.0	5,824.0	2,958.0
Inventories	230,256.0	223,672.0	241,736.0	237,867.0	233,315.0
Prepaid Expenses and Other Current Assets	30,636.0	29,602.0	33,717.0	27,846.0	36,603.0
Total Current Assets	268,265.0	262,255.0	285,653.0	273,636.0	274,879.0
Non Current Assets					
Property and Equipment, net	139,769.0	140,492.0	139,132.0	149,653.0	151,509.0
Goodwill	243,269.0	243,269.0	210,633.0	210,633.0	46,308.0
Other Intangibles-net	86,623.0	86,314.0	79,489.0	79,301.0	79,104.0
Other Assets	2,606.0	4,187.0	19,277.0	18,737.0	30,691.0
Total Assets	740,532.0	736,517.0	734,184.0	731,960.0	582,491.0
Current Liabilities					
Accounts Payable	56,151.0	50,911.0	65,606.0	56,272.0	54,216.0
Accrued Expenses and Other Current Liabilities	58,187.0	60,137.0	52,290.0	59,940.0	63,992.0
Revolving Credit Facility	15,000.0	6,000.0	11,000.0	-	3,000.0
Deferred Sales	-	-	5,209.0	-	-
Total Current Liabilities	129,338.0	117,048.0	134,105.0	116,212.0	121,208.0
Non Current Liabilities					
Convertible Notes, Net	118,067.0	119,413.0	120,874.0	122,242.0	123,622.0
Other Long-term Liabilities	1,901.0	1,876.0	1,720.0	2,348.0	2,240.0
Deferred Rent	38,921.0	38,387.0	37,489.0	39,902.0	39,902.0
Shareholders' Equity					
Common Stock - Par Value	241.0	240.0	236.0	240.0	240.0
Additional Paid in Capital	92,549.0	88,876.0	80,727.0	83,994.0	85,213.0
Treasury Stock - Common	(6,199.0)	(6,400.0)	(6,430.0)	(6,437.0)	(6,974.0)
Retained Earnings	365,714.0	377,077.0	365,463.0	373,459.0	217,040.0
Total Shareholders Equity	452,305.0	459,793.0	439,996.0	451,256.0	295,519.0
Total Liabilities & Shareholders Equity	740,532.0	736,517.0	734,184.0	731,960.0	582,491.0

FINANCIAL SUMMARY (QUARTERLY)

Cash Flow						
For the Fiscal Period Ending	6 months Jun-25-2016	9 months Sep-24-2016	12 months Dec-31-2016	3 months Apr-01-2017	6 months Jul-01-2017	TTM Jul-01-2017
Currency	USD	USD	USD	USD	USD	USD
Units	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands
Operating Activities						
Net Income	25,215.0	36,578.0	24,964.0	7,996.0	(148,423.0)	(148,674.0)
Depreciation and Amortization	19,440.0	28,812.0	38,780.0	7,828.0	15,839.0	35,179.0
Amortization of Debt Discount on Convertible Notes	2,278.0	3,434.0	4,690.0	1,178.0	2,368.0	4,780.0
Amortization of Deferred Financing Fees	472.0	708.0	957.0	238.0	458.0	943.0
Impairment Charge on Intangible Assets	0.0	0.0	6,594.0	0.0	0.0	6,594.0
Impairment Charges on Fixed Assets	218.0	415.0	797.0	0.0	5,585.0	6,164.0
Impairment Charge on Goodwill	0.0	0.0	32,636.0	0.0	164,325.0	196,961.0
Equity Compensation Expense	3,534.0	4,706.0	6,292.0	1,600.0	2,710.0	5,468.0
Issuance of Shares for Services Rendered	333.0	333.0	333.0	0.0	0.0	0.0
Tax Benefit on Exercise of Equity Awards	577.0	714.0	739.0	(17.0)	747.0	909.0
Deferred Income Taxes	1,899.0	1,309.0	(13,683.0)	460.0	(11,225.0)	(26,807.0)
Other Assets	81.0	106.0	116.0	10.0	25.0	60.0
Other Long-term Liabilities	561.0	840.0	747.0	(49.0)	521.0	707.0
Deferred Rents	(1,546.0)	(2,340.0)	(3,226.0)	(787.0)	(1,465.0)	(3,145.0)
Accounts Receivable	2,056.0	479.0	70.0	1,543.0	4,409.0	2,423.0
Inventories	(2,538.0)	4,506.0	(13,078.0)	6,142.0	12,852.0	2,312.0
Accounts Payable	16,879.0	11,337.0	26,522.0	(11,094.0)	(9,109.0)	534.0
Deferred Sales	0.0	0.0	(15,277.0)	0.0	0.0	(15,277.0)
Prepaid Expenses and Other Current Assets	(5,441.0)	(4,407.0)	(8,521.0)	5,870.0	(2,886.0)	(5,966.0)
Accrued Expenses and Other Current Liabilities	(9,077.0)	(9,442.0)	2,921.0	(1,019.0)	1,343.0	13,341.0
Cash Flow from Operating Activities	54,941.0	78,088.0	93,373.0	19,899.0	38,074.0	76,506.0
Investing Activities						
Capital Expenditures	(21,005.0)	(31,228.0)	(40,068.0)	(10,138.0)	(28,378.0)	(47,441.0)
Trademarks and Other Intangible Assets	(171.0)	(221.0)	(291.0)	(82.0)	(156.0)	(276.0)
Cash Flow from Investing Activities	(21,176.0)	(31,449.0)	(40,359.0)	(10,220.0)	(28,534.0)	(47,717.0)
Financing Activities						
Bank Overdrafts	(1,663.0)	(377.0)	(1,041.0)	(953.0)	(3,052.0)	(2,430.0)
Repayment of Borrowings Under Revolving Credit Agreement	0.0	0.0	(79,000.0)	0.0	0.0	(79,000.0)
Borrowing Under Revolving Credit Agreement	35,000.0	51,000.0	82,000.0	42,000.0	57,000.0	104,000.0
Payment of Capital Lease Obligations	0.0	0.0	(207.0)	0.0	0.0	(207.0)
Proceeds from Exercise of Common Stock Options	7.0	90.0	90.0	1,511.0	1,511.0	1,594.0
Issuances of Shares Under Employee Stock Purchase Plan	342.0	536.0	823.0	161.0	270.0	751.0
Purchase of Treasury Stock	(974.0)	(1,175.0)	(1,205.0)	(7.0)	(544.0)	(775.0)
Purchase of Shares Under Share Repurchase Program	(51,011.0)	(56,011.0)	(66,011.0)	0.0	0.0	(15,000.0)
Tax Benefit on Exercise of Stock Options	(577.0)	(714.0)	(739.0)	0.0	0.0	(162.0)
Debt Issuance Costs on Convertible Notes	0.0	0.0	(2.0)	0.0	0.0	(2.0)
Deferred Financing Fees	0.0	0.0	(12.0)	0.0	0.0	(12.0)
Repayments of Borrowings Under Revolving Credit Facility	(28,000.0)	(53,000.0)	0.0	(53,000.0)	(65,000.0)	(37,000.0)
Other Financing Activities	(54.0)	(125.0)	0.0	(137.0)	(566.0)	(512.0)
Cash Flow from Financing Activities	(46,930.0)	(59,776.0)	(65,304.0)	(10,425.0)	(10,381.0)	(28,755.0)
Other Adjustments						
Foreign Exchange Rate Effect on Cash and Cash Equivalents	53.0	56.0	19.0	12.0	11.0	(23.0)
Cash Flow Net Changes in Cash	(13,112.0)	(13,081.0)	(12,271.0)	(734.0)	(830.0)	11.0

OCF-capex	33,936.0	46,860.0	53,305.0	9,761.0	9,696.0	29,065.0
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Source: CapIQ



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