United Natural Foods Reports Third Quarter 2002 Results

June 4, 2002
DAYVILLE, Conn., Jun 4, 2002 /PRNewswire-FirstCall via COMTEX/ --

$0.29 Earnings Per Share Excluding Special Items

United Natural Foods, Inc. (Nasdaq: UNFI) today reported net income of $5.6 million for the third quarter of fiscal 2002, or $0.29 per share on a diluted basis, excluding special items, in line with the guidance previously provided by the Company.

Net sales for the third quarter of fiscal 2002 ending April 30, 2002 totaled $300.4 million, a 16.2% increase compared to $258.5 million reported in the third quarter of fiscal 2001. This increase was primarily due to increased sales throughout all the Company's divisions and included growth percentages in the mid-twenties in both the super natural and mass market distribution channels. Sales growth for the quarter, excluding acquisitions, was 14.8%. Net sales for the nine months ended April 30, 2002 were $866.1 million, a 15.9% increase compared to $747.1 million in the prior year period. The nine-month sales growth, excluding acquisitions, was 14.9%.

Net income for the third quarter of fiscal 2002, excluding the effect of special items, was $5.6 million, or $0.29 per diluted share, compared to $4.1 million, or $0.22 per diluted share, for the quarter ended April 30, 2001. Including the effect of special items, net income for the third quarter of fiscal 2002 was $5.3 million, or $0.27 per diluted share, compared to $3.3 million, or $0.17 per diluted share. The special items for the quarter ended April 30, 2002 consisted of moving and other costs related primarily to the startup of the Company's southern California distribution facility and non-cash income related to the change in fair value of interest rate swaps and related option agreements. Special items for the quarter ended April 30, 2001 consisted of asset impairment, moving and other costs related to the expansion of the Company's New Oxford, PA distribution facility, a non-cash expense related to the change in fair value of interest rate swaps and related option agreements, and asset impairment charges, primarily goodwill, associated with closing an unprofitable retail store.

The following table details the amounts and effects of these items:

Quarter Ended April 30, 2002 ($ in thousands, except per share data)	Pretax Income	Per diluted Net of Tax	share
Income, excluding special items:	$9,284	$5,570	$0.29
Less: Special Items-			
Relocation and startup costs (operating expenses)	720	431	0.02
Interest rate swap agreement income	(234)	(140)	(0.01)
Income, including special items:	$8,798	$5,279	$0.27

Quarter Ended April 30, 2001 ($ in thousands, except per share data)	Pretax Income	Per diluted Net of Tax	share
Income, excluding special items:	$6,824	$4,094	$0.22
Less: Special Items-			
Interest rate swap agreement expense	394	236	0.01
Restructuring and asset impairment	802	481	0.03
Expansion expenses (operating expenses)	158	95	0.00
Income, including special items:	$5,470	$3,282	$0.17

The startup costs related to the Company's southern California distribution facility consisted of incremental costs such as labor, utilities and rent and are reflected on the consolidated statements of income as part of "Operating expenses." The income from the changes in fair value on interest rate swap agreements resulted from favorable changes in yield curves during the quarter. The Company adopted Statement of Financial Accounting Standards No. 142 (FAS No. 142), "Goodwill and Other Intangible Assets," on August 1, 2001. The result of adopting FAS No. 142 was a reduction in amortization of goodwill of approximately $0.2 million in the third quarter of fiscal 2002.

Comments from Management

Commenting on the third quarter results, Michael Funk, Chief Executive Officer, said, "We are pleased to report another quarter of strong operating

results and continue to be on track with executing our business plan and growth objectives. Each of our operating units contributed to our growth with sales growth percentages in our supernatural and mass market distribution channels in the mid-twenties as a result of our focus on customer service, expanding our customer base and increasing our penetration with existing accounts."

"To meet the growing consumer demand for natural foods and related products we continue to expand and enhance our distribution network and, during the quarter, we completed the startup of our new distribution center in southern California. The Fontana facility will enable us to provide enhanced service levels to our southwestern customers, realize transportation savings and efficiencies and allow us to penetrate that market further." Mr. Funk added, "Looking forward, we believe our sales growth for the fourth quarter of fiscal 2002 will continue in the 12% - 14% range. We expect net income, excluding special items, for the fiscal 2002 fourth quarter to be approximately $0.28 - $0.30 per diluted share. Our guidance excludes special income or charges related to interest rate swaps."

Conference Call

Management will conduct a conference call and audio webcast at 11:00 a.m. ET on June 4, 2002 to review the Company's quarterly results, market trends and future outlook. The conference call dial-in number is 703-871-3795. The audio webcast will be available, on a listen only basis, via the Internet at http://www.viavid.com and at the Investor Relations section of the Company's website at www.unfi.com . Please allow extra time prior to the webcast to visit the webcast site and download any software required to listen to the Internet broadcast. The online archive of the webcast will be available for 30 days.

About United Natural Foods

United Natural Foods, Inc. carries and distributes over 30,000 products to more than 7,000 customers nationwide. The Company serves a wide variety of retail formats including conventional supermarket chains, natural product superstores and independent retail operators.

For more information on United Natural Foods, Inc., visit the Company's web site at www.unfi.com .

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Statements in this press release regarding United Natural's business which are not historical facts are "forward-looking statements" that involve risks and uncertainties. For a discussion of such risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, including but not limited to general business conditions, the impact of competition and our dependence on principal customers, see "Risk Factors" in the Company's annual report on Form 10-K filed with the Commission on October 23, 2001, and its other filings under the Securities Exchange Act of 1934, as amended. Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made. United Natural Foods, Inc. is not undertaking to update any information in the foregoing reports until the effective date of its future reports required by applicable laws.

UNITED NATURAL FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	QUARTER ENDED APRIL 30,		NINE MONTHS ENDED APRIL 30,	
(In thousands, except per share data)	2002	2001	2002	2001
Net sales	$300,362	$258,536	$866,139	$747,100
Cost of sales	242,048	208,853	696,312	601,576
Gross profit	58,314	49,683	169,827	145,524
Operating expenses	47,535	41,182	139,816	123,337
Restructuring and asset impairment charges	-	802	424	802
Restructuring and merger expenses				
Amortization of intangibles	56	269	134	793
Total operating expenses	47,591	42,253	140,374	124,932
Operating income	10,723	7,430	29,453	20,592
Other expense (income):				
Interest expense	1,934	1,692	5,323	5,292
Change in value of financial instruments	(234)	394	2,195	394
Other, net	225	(126)	110	(351)
Total other expense	1,925	1,960	7,628	5,335
Income before income taxes	8,798	5,470	21,825	15,257
Income taxes	3,519	2,188	8,730	6,103
Net income	$5,279	$3,282	$13,095	$9,154

Per share data (basic):				
Net income	$0.28	$0.18	$0.69	$0.50
Weighted average basic shares of common stock	19,049	18,580	18,874	18,436
Per share data (diluted):				
Net income	$0.27	$0.17	$0.68	$0.49
Weighted average diluted shares of common stock	19,493	18,839	19,304	18,752

UNITED NATURAL FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

	APRIL 30, 2002 (UNAUDITED)	JULY 31, 2001
ASSETS		
Current assets:		
Cash	$6,498	$6,393
Accounts receivable, net	90,059	81,559
Notes receivable, trade	590	685
Inventories	139,769	110,653
Prepaid expenses	5,585	5,394
Deferred income taxes	4,434	3,513
Refundable income taxes	-	366
Total current assets	246,935	208,563
Property & equipment, net	80,793	62,186
Other assets:		
Notes receivable, trade, net	1,117	1,050
Goodwill, net	31,401	27,500
Covenants not to compete, net	284	180
Other, net	2,767	965
Total assets	$363,297	$300,444
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable - line of credit	$107,067	$68,056
Current installments of long-term debt	1,255	19,625
Current installment of obligations under capital leases	637	1,120
Accounts payable	65,018	53,169
Accrued expenses	23,357	13,242
Income taxes payable	1,726	-
Total current liabilities	199,060	155,212
Long-term debt, excluding current installments	6,670	7,805
Obligations under capital leases, excluding current Installments	1,755	1,484
Total liabilities	207,485	164,501
Stockholders' equity:		
Preferred stock, $.01 par value, authorized 5,000 shares; none issued and outstanding		
Common stock, $.01 par value, authorized 50,000 shares; issued and outstanding 19,105 at April 30 2002; issued and outstanding 18,653 at July 31, 2001	191	187
Additional paid-in capital	79,291	72,644
Unallocated shares of ESOP	(2,135)	(2,258)
Retained earnings	78,465	65,370
Total stockholders' equity	155,812	135,943

Total liabilities and stockholders' equity	$363,297	$300,444

UNITED NATURAL FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	NINE MONTHS ENDED APRIL 30,	
	2002	2001
(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$13,095	$9,154
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,899	5,830
Change in fair value of financial instruments	2,195	394
Loss on impairment of intangible assets	-	255
Loss on disposals of property & equipment	295	582
Deferred income tax benefit	(921)	(316)
Provision for doubtful accounts	1,379	2,198
Changes in assets and liabilities, net of acquired companies:		
Accounts receivable	(9,197)	(20,227)
Inventory	(28,928)	(8,265)
Prepaid expenses	(172)	828
Refundable income taxes	366	3,308
Other assets	(1,679)	237
Notes receivable, trade	29	(224)
Accounts payable	11,537	27,348
Accrued expenses	7,033	2,327
Income taxes payable	1,727	-
Net cash provided by operating activities	2,658	23,429
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of acquired businesses, net of cash acquired	(19)	(2,393)
Proceeds from disposals of property and equipment	31	43
Capital expenditures	(23,633)	(14,166)
Net cash used in investing activities	(23,621)	(16,516)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (repayments) under note payable	39,011	(954)
Repayments on long-term debt	(20,739)	(2,032)
Proceeds from long-term debt	1,234	39
Principal payments of capital lease obligations	(840)	(849)
Proceeds from exercise of stock options	2,402	2,769
Net cash provided by (used in) financing activities	21,068	(1,027)
NET INCREASE IN CASH	105	5,886
Cash at beginning of period	6,393	1,943
Cash at end of period	$6,498	$7,829
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$5,240	$5,171
Income taxes, net of refunds	$8,980	$3,100

In the nine months ended April 30, 2002 and 2001, the Company incurred $628 and $679, respectively, of capital lease obligations.

The fair value of common stock issued for the acquisition of a subsidiary was $4,250.

UNITED NATURAL FOODS, INC. AND SUBSIDIARIES
SPECIAL ITEMS RECONCILIATION

(In thousands, except per share data)	QUARTER ENDED APRIL 30, 2002			NINE MONTHS ENDED APRIL 30, 2002		
	Pre-tax of tax	Net of tax	Per diluted share	Pre-tax of tax	Net of tax	Per diluted share
Income	$8,798	$5,279	$0.27	$21,825	$13,095	$0.68
Interest rate swap agreement income	(234)	(140)	(0.01)	2,195	1,317	0.07
Restructuring and asset impairment	-	-	-	424	254	0.01
Relocation and startup costs (operating expenses)	720	431	0.02	1,687	1,013	0.05
Income excluding special items	$9,284	$5,570	$0.29	$26,131	$15,679	$0.81

(In thousands, except per share data)	QUARTER ENDED APRIL 30, 2001			NINE MONTHS ENDED APRIL 30, 2001		
	Pre-tax of tax	Net of tax	Per diluted share	Pre-tax of tax	Net of tax	Per diluted share
Income including special items	$5,470	$3,282	$0.17	$15,257	$ 9,154	$0.49
Interest rate swap agreement expense	394	236	0.01	394	236	0.01
Restructuring and asset impairment	802	481	0.03	802	481	0.03
Expansion expenses (operating expenses)	158	95	0.00	390	234	0.01
Income excluding special items	$6,824	$4,094	$0.22	$16,843	$10,105	$0.54

SOURCE United Natural Foods, Inc.

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