United Natural Foods Announces 17% Increase In Fourth Quarter Net Income Excluding Special Items

September 5, 2002

Earns $0.29 Per Diluted Share, Excluding Special Items, for the 2002 Fourth Quarter Reports 15.6% Annual Sales Gain to Record $1.2 Billion in Fiscal 2002

DAYVILLE, Conn., Sep 5, 2002 /PRNewswire-FirstCall via COMTEX/ -- United Natural Foods, Inc. (Nasdaq: UNFI) today reported net income of $5.6 million for the fourth 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 fourth quarter of fiscal 2002 were $309.3 million, an increase of 14.7% from the $269.7 million recorded in the fourth quarter of fiscal 2001. The increase was primarily due to growth in the supernatural and mass market distribution channels of approximately 27% and 19%, respectively. Sales growth for the quarter, excluding the effect of acquisitions, was 13%.

Net income for the fourth quarter of fiscal 2002, excluding the effect of special items, increased 17.4% to $5.6 million, or $0.29 per diluted share, compared to $4.7 million, or $0.25 per diluted share, excluding special items, for the quarter ended July 31, 2001. Fourth quarter 2002 net income growth was partially offset by short-term incremental costs relating to the recent relocation of the Company's Hershey Import facility in New Jersey. The special items for the quarter ended July 31, 2002, consisted of a non-cash charge related to the change in fair value of interest rate swaps and related option agreements and moving and other costs related to the relocation of the Company's manufacturing subsidiary, Hershey Import. A special non-cash charge was recorded in the fourth quarter of fiscal 2001 related to the change in fair value of an interest rate swap and related option agreement. Net income including special items decreased 2.1 % to $4.1 million, or $0.21 per diluted share, for the fourth quarter of 2002 compared to $4.2 million, or $0.22 per diluted share, in the prior year period.

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

Quarter Ended July 31, 2002 (in thousands, except per share data)	Pretax Income	Net of Tax	Per diluted share
Income, excluding special items:	$9,277	$5,566	$0.29
Less: Special Items			
Interest rate swap agreements (change in value of financial instruments)	2,136	1,281	0.07
Moving and other costs (included in operating expenses)	284	171	0.01
Income, including special items:	$6,857	$4,114	$0.21

Quarter Ended July 31, 2001 (in thousands, except per share data)	Pretax Income	Net of Tax	Per diluted share
Income, excluding special items:	$7,903	$4,742	$0.25
Less: Special Item			
Interest rate swap agreement (change in value of financial instruments)	896	538	0.03

Income, including special items:	$7,007	$4,204	$0.22

The non-cash charge from the change in fair value on interest rate swap agreements was caused by unfavorable changes in yield curves during the quarter ended July 31, 2002. The moving and other costs related to the Company's subsidiary, Hershey Import, consisted of labor, utilities, rent and severance.

The Company adopted Statement of Financial Accounting Standards No. 142 (SFAS No. 142), "Goodwill and Other Intangible Assets," on August 1, 2001. The result of adopting SFAS No. 142 was a reduction in amortization of intangibles of approximately $0.2 million, or $0.01 per diluted share, in the fourth quarter of fiscal 2002.

Year End Results

Net sales for the twelve months ended July 31, 2002 were $1.2 billion, an increase of 15.6% over the $1.0 billion recorded in the comparable prior year period. Net sales, excluding the effect of acquisitions, increased 14.4%. Net income for the twelve months ended July 31, 2002, excluding special items, was $21.2 million, or $1.10 per diluted share, compared to $14.8 million, or $0.79 per diluted share, for the twelve months ended July 31, 2001. The special items for the twelve months ended July 31, 2002 included a non-cash charge related to the change in fair value of interest rate swaps and related option agreements, relocation, asset impairment and redundant rent expense related to moving the Company's Atlanta, GA distribution facility, incremental costs such as labor, utilities and rent related to the startup of its southern California distribution facility and labor, utilities, rent and severance related to relocating Hershey Import. Special items for the twelve months ended July 31, 2001 consisted of a non-cash charge related to the change in fair value of an interest rate swap and related option agreement, costs related to the expansion of the Company's New Oxford, PA distribution facility and asset impairment charges, primarily goodwill, associated with closing an unprofitable retail store. The result of adopting SFAS No. 142 was a reduction in amortization of intangibles of approximately $0.9 million, or $0.05 per diluted share, for the twelve months ended July 31, 2002. Net income including special items was $17.2 million, or $0.89 per diluted share, for the twelve months ended July 31, 2002 compared to $13.4 million, or $0.71 per diluted share, for the same period last year.

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

Twelve Months Ended July 31, 2002 (in thousands, except per share data)	Pretax Income	Net of Tax	Per diluted share
Income, excluding special items:	$35,409	$21,245	$1.10
Less: Special Items			
Interest rate swap agreements (change in value of financial instruments)	4,331	2,599	0.13
Relocation and startup costs (included in operating expenses)	1,972	1,183	0.06
Restructuring and asset impairment charges	424	254	0.01
Income, including special items:	$28,682	$17,209	$0.89

Twelve Months Ended July 31, 2001 (in thousands, except per share data)	Pretax Income	Net of Tax	Per diluted share
Income, excluding special items:	$24,746	$14,848	$0.79
Less: Special Items			
Interest rate swap agreements (change in value of financial instruments)	1,290	774	0.04
Restructuring and asset impairment charges	801	481	0.03
Expansion costs (operating expenses)	391	235	0.01
Income, including special			

items:	$22,264	$13,358	$0.71

Comments from Management

Commenting on the fourth quarter results, Michael Funk, Chief Executive Officer, said, "Earnings for the quarter met our expectations. In terms of revenues, sales to our supernatural and mass market customers grew approximately 27% and 19%, respectively, and sales to our independent customers increased 6% compared to the same period last year. We are pleased with these results as we continue to execute at superior service levels and fill rates. Our results for fiscal year 2002 were strong given the projects we undertook. We successfully delivered four consecutive quarters of double digit sales and earnings growth, as we relocated our Atlanta, GA distribution facility and our subsidiary Hershey Import, launched a new distribution facility in Fontana, CA and acquired Boulder Fruit Express. Looking ahead, we are confident that our organization can continue this momentum into fiscal year 2003, and towards this end have recently signed a letter of intent to acquire Blooming Prairie Cooperative, the largest volume distributor of natural foods in the Midwest region. One of our stated goals has been to further broaden our presence and increase customer penetration in the fast growing Midwest market. Acquiring Blooming Prairie's Iowa City and Minneapolis facilities will provide us with an immediate physical base and growth platform to meet that goal as well as the volume to expand cost-effectively."

Mr. Funk continued, "In addition, we recently received approval from local planning and zoning officials to commence the expansion of our Chesterfield, NH distribution facility from its existing 117,000 square feet to 289,000 square feet, making it our largest distribution center. The benefits of additional warehouse space include improved capacity to service existing and new customers and more product diversity, giving us the opportunity to better balance products among the distribution centers on the Eastern seaboard."

The Company reaffirms its outlook for fiscal 2003, ending July 31, 2003, with revenues in the $1.15 billion to $1.17 billion range and net income, excluding special items, in the range of $1.18 - $1.20 per diluted share. The earnings per share outlook for the first quarter ending October 31, 2002 is $0.26 - $0.28 per diluted share, excluding special items. The Company's 2003 guidance excludes the impact of the proposed Blooming Prairie Cooperative acquisition.

Conference Call

Management will conduct a conference call and audio webcast at 11:00 a.m. ET on September 5, 2002 to review the Company's quarterly and annual results, market trends and future outlook. The conference call dial-in number is 703- 871-3722. The audio webcast will be available, on a listen only basis, via the Internet at www.viavid.com or at the Investor Relations section of the Company's website, www.unfi.com . Please allow extra time to the webcast to visit the 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 in 50 states. 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 quarterly report on Form 10-Q filed with the Commission on June 13, 2002, 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 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 JULY 31,		YEAR ENDED JULY 31,	
(In thousands, except per share data)	2002	2001	2002	2001
Net sales	$309,254	$269,734	$1,175,393	$1,016,834
Cost of sales	248,466	216,464	944,777	818,040
Gross profit	60,788	53,270	230,616	198,794
Operating expenses	50,231	43,988	190,047	167,325
Restructuring and asset impairment charges	-	-	424	801
Amortization of				

intangibles	46	243	180	1,036
Total operating expenses	50,277	44,231	190,651	169,162
Operating income	10,511	9,039	39,965	29,632
Other expense (income):				
Interest expense	1,910	1,647	7,233	6,939
Change in value of financial instruments	2,136	896	4,331	1,290
Other, net	(392)	(511)	(281)	(861)
Total other expense	3,654	2,032	11,283	7,368
Income before income taxes	6,857	7,007	28,682	22,264
Income taxes	2,743	2,803	11,473	8,906
Net income	$4,114	$4,204	$17,209	$13,358
Per share data (basic):				
Net income	$0.22	$0.23	$0.91	$0.72
Weighted average basic shares of common stock	19,106	18,616	18,933	18,482
Per share data (diluted):				
Net income	$0.21	$0.22	$0.89	$0.71
Weighted average diluted shares of common stock	19,423	19,027	19,334	18,818

UNITED NATURAL FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands)	JULY 31, 2002 (UNAUDITED)	JULY 31, 2001
ASSETS		
Current assets:		
Cash	$11,184	$6,393
Accounts receivable, net	84,303	81,559
Notes receivable, trade	513	685
Inventories	131,932	110,653
Prepaid expenses	4,493	5,394
Deferred income taxes	4,612	3,513
Refundable income taxes	58	366
Total current assets	237,095	208,563
Property & equipment, net	82,702	62,186
Other assets:		
Notes receivable, trade, net	956	1,050
Goodwill, net	31,399	27,500

Covenants not to compete, net	248	180
Deferred taxes	800	275
Other, net	1,257	690
Total assets	$354,457	$300,444
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable - line of credit	$106,109	$68,056
Current installments of long-term debt	1,658	19,625
Current installment of obligations under capital leases	1,037	1,120
Accounts payable	52,789	53,169
Accrued expenses	18,185	11,952
Financial instruments	5,620	1,290
Total current liabilities	185,398	155,212
Long-term debt, excluding current installments	7,677	7,805
Obligations under capital leases, excluding current installments	995	1,484
Total liabilities	194,070	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 19,106 at July 31, 2002; issued and outstanding 18,653 at July 31, 2001	191	187
Additional paid-in capital	79,711	72,644
Unallocated shares of ESOP	(2,094)	(2,258)
Retained earnings	82,579	65,370
Total stockholders' equity	160,387	135,943
Total liabilities and stockholders' equity	$354,457	$300,444

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

	TWELVE MONTHS ENDED JULY 31,	
(In thousands)	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$17,209	$13,358
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,206	7,908
Change in fair value of financial instruments	4,331	1,290
Loss on impairment of intangible asset	-	255
Loss on disposals of property & equipment	307	640
Deferred income tax benefit	(1,099)	(1,529)
Provision for doubtful accounts	1,806	2,903
Changes in assets and liabilities, net of acquired companies:		
Accounts receivable	(3,867)	(14,887)
Inventory	(21,091)	(5,719)
Prepaid expenses	921	713
Refundable income taxes	308	4,035
Other assets	(928)	42
Notes receivable, trade	266	(514)
Accounts payable	(692)	13,725
Accrued expenses	5,346	(234)
Net cash provided by operating activities	11,023	21,986

CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of subsidiaries, net of cash acquired	(16)	(2,393)
Proceeds from disposals of property and equipment	33	46
Capital expenditures	(27,789)	(15,891)
Net cash used in investing activities	(27,772)	(18,238)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings under note payable	38,053	49
Repayments on long-term debt	(21,062)	(2,742)
Proceeds from long-term debt	2,967	89
Principal payments of capital lease obligations	(1,240)	(1,162)
Proceeds from exercise of stock options	2,822	4,468
Net cash provided by financing activities	21,540	702
NET INCREASE IN CASH	4,791	4,450
Cash at beginning of period	6,393	1,943
Cash at end of period	$11,184	$6,393
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$7,089	$6,822
Income taxes, net of refunds	$12,883	$5,709

In 2002 and 2001 the Company incurred $667 and $923, respectively, of capital lease obligations.
The fair value of common stock issued for the acquisition of subsidiary was $4,250.

SOURCE United Natural Foods, Inc.

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