

United Natural Foods, Inc. (NYSE: UNFI)

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2Q23 Earnings Analysis - Mar 16, 2023

https://s22.q4cdn.com/589001886/files/doc_financials/2023/q2/Q2-FY23-Earnings-Presentation.pdf

Results Summary

\$ Millions, except for per share data.

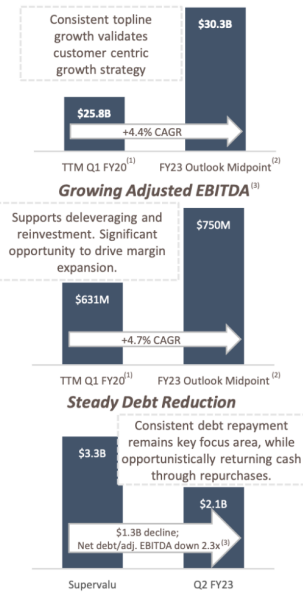
	Q2 FY23	Q2 FY22	% Change
Net Sales	\$7,816	\$7,416	▲ 5.4%
Gross Profit	\$1,069	\$1,075	▼ (0.6)%
Adjusted EBITDA ¹	\$181	\$220	▼ (17.7)%
Adjusted EPS ¹	\$0.78	\$1.36	▼ (42.6)%

- Net sales growth primarily driven by inflation, new customers wins, and deeper sales penetration with existing customers, partially offset by a decline in units.
- Adjusted EBITDA decline reflects lower gross profit rate.
- Adjusted EPS decline primarily reflects lower Adjusted EBITDA growth, higher D&A and lower non-cash pension income.

The results are really bad compared to last year.

Combining Growth with Commitment to Operational Excellence

Solid Financial Performance from Pre-Pandemic Net Revenue Growth >\$1B Annually



Committed to Growth & Shareholder Value Flywheel Effect Driving Growth...



...Converts to Long-term Financial Strengthening



Transformation for Operational Excellence

Multifaceted Plan Underway...
Seeking to combine proven topline growth strategy with structurally higher margins

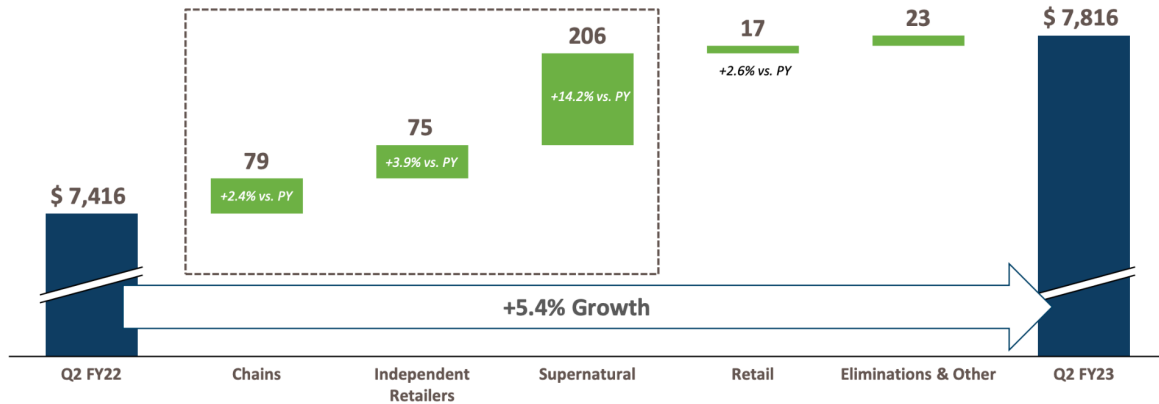
- Network Automation & Optimization**
 - Working to enhance efficiency
 - Expected to drive increased network capacity and scalability
 - Improving customer experience
- Commercial Value Creation**
 - Seeking to maximize profitable revenue growth
 - Simplifying pricing structure and enhancing analytical insights
 - Making it easier to do business with UNFI
- Digital Offering Enhancement**
 - Fully integrating the digital platforms we offer
 - Includes MyUNFI, IUNFI and our third-party marketplace
 - Expanding actionable intelligence we provide from these platforms
- Infrastructure Unification & Modernization**
 - Addressing legacy integration issues and underinvestment in digital infrastructure
 - Expect these investments will streamline operations, provide greater visibility and enhance our scale

Better Food. Better Future.

(1) Reflects the four quarters following the Company's acquisition of Supervalu.
 (2) The outlook provided above is for fiscal 2023. This outlook is forward-looking, is based on management's current estimates and expectations and is subject to several risks, including many that are outside of management's control. See cautionary language on slide 2 and the risk factors contained in the Company's Annual Report on Form 10-K for the year ended July 30, 2022 and other filings the Company makes with the SEC.
 (3) Please refer to the appendix for definitions and reconciliations of Adjusted EBITDA and Net Debt to Adjusted EBITDA to the most directly comparable financial measures calculated in accordance with GAAP.

Q2 FY23 Revenue Performance

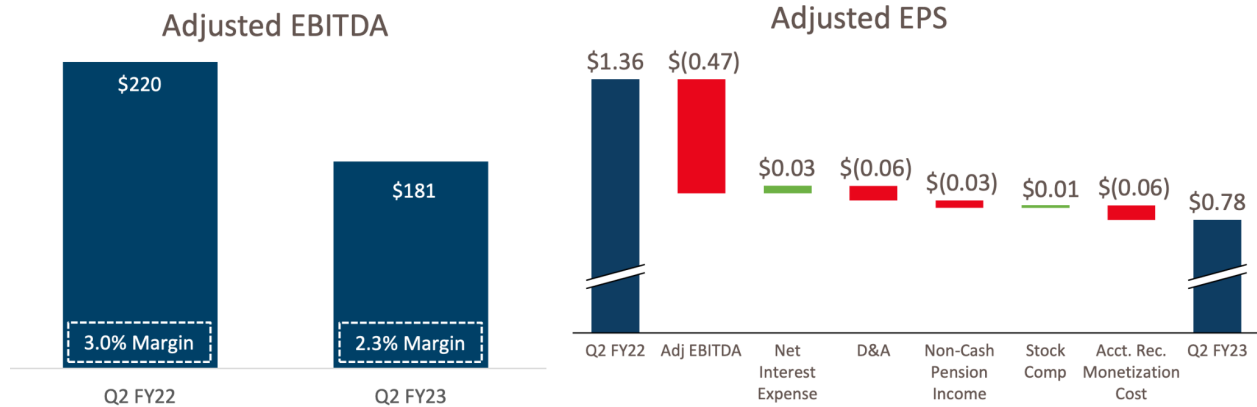
\$ in Millions.



- Wholesale growth includes net inflation as well as new customers and new categories with existing customers, partially offset by a decline in unit volumes.
- New business pipeline remains strong and well diversified across all channels.

Q2 FY23 Adjusted EBITDA and Adjusted EPS Performance

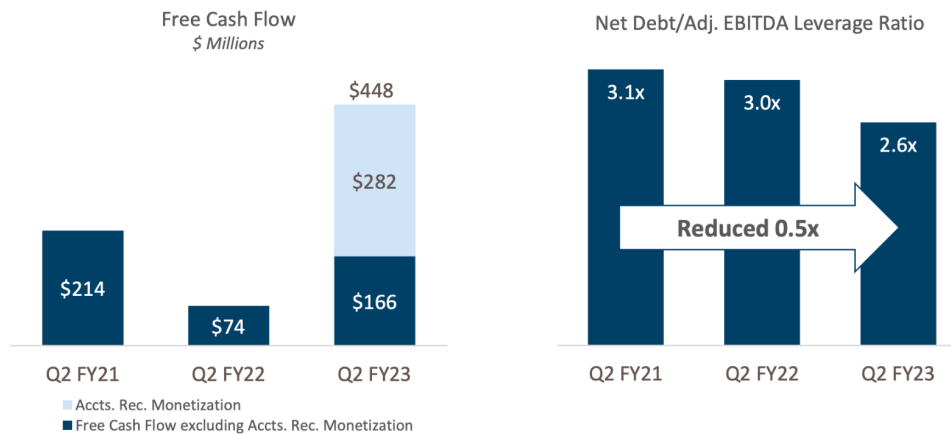
\$ in Millions, except per share data.



- Adjusted EBITDA decline driven by lower gross margin rate.
- Lower Adjusted EPS primarily reflects decrease in Adjusted EBITDA as well as higher D&A associated with increased capex.

Free Cash Flow and Comparative Leverage

Retain significant capacity to help fund transformation initiatives and strengthen balance sheet



- Strong free cash flow generation benefitted from strategic accounts receivable monetization; strengthened balance sheet while enhancing capacity for tactical capital allocation.
- Ended quarter at 2.6x net debt to Adjusted EBITDA leverage ratio, continuing steady decline since Supervalu acquisition.

The good news is that UNFI still had a strong cash flow generation.

Revising Fiscal 2023 Outlook ⁽¹⁾

Raising revenue growth, reducing profitability and maintaining projected capital expenditures vs prior outlook

Net Sales	Adjusted EBITDA	Adjusted EPS	Capex
\$30.1-\$30.5B (+1% vs. previous midpoint) (+5% vs. last year)	\$715-\$785M (-13% vs. previous midpoint) (-10% vs. last year)	\$3.05-\$3.90 (-31% vs. previous midpoint) (-28% vs. last year)	~\$350M (unchanged)

- Expect Q3 and Q4 profitability to be roughly in-line to slightly above Q2 level
- Important profitability drivers include procurement gains and efficiency benefits related to opex
- Net debt to adjusted EBITDA leverage ratio projected to be roughly level with FY22 year-end level
- Withdrawing long-term fiscal 2024 targets

The company is less optimistic about the future.

Capital structure

Q2 decrease in net debt includes benefit of accounts receivable monetization

(\$'s in Millions)								
	Maturity	Rate ⁽²⁾	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	
Secured term loan B-1 ⁽¹⁾	October 2025	S + 3.25%	\$ 844	\$ 800	\$ 800	\$ 800	\$ 670	
\$2.6B ABL revolver ⁽¹⁾⁽³⁾	June 2027	S + 1.0% / Prime + 0.0%	990	1,101	840	1,217	923	
Senior unsecured notes	October 2028	6.75%	500	500	500	500	500	
Finance leases	Various	Various	138	39	36	33	29	
Equipment loans	Various	Various	30	27	23	20	16	
Original issue discount / deferred finance fees			(41)	(37)	(40)	(38)	(32)	
Total Debt and Finance Leases (GAAP)			\$ 2,461	\$ 2,430	\$ 2,159	\$ 2,532	\$ 2,106	
Balance sheet cash			(45)	(48)	(44)	(39)	(40)	
Net Debt (GAAP)			\$ 2,416	\$ 2,382	\$ 2,115	\$ 2,493	\$ 2,066	
LTM Adjusted EBITDA			\$ 811	\$ 822	\$ 829	\$ 836	\$ 797	
Net Debt / Adjusted EBITDA ⁽⁴⁾			3.0x	2.9x	2.6x	3.0x	2.6x	
Available Liquidity ⁽⁵⁾			\$ 1,036	\$ 909	\$ 1,671	\$ 1,289	\$ 1,573	

(1) Paid \$150M in Q2 FY22 with borrowings on the ABL revolver and paid \$125M in Q2 FY23 with proceeds from monetizing certain accounts receivable.

(2) Converted the secured term loan B-1 and ABL revolver benchmark rates from LIBOR to SOFR in Q4 FY22. Reduced the SOFR margin on the ABL revolver from 1.25% to 1.0% in Q4 FY22.

(3) Refinanced and upsized the ABL revolver from \$2.1B to \$2.6B in Q4 FY22.

(4) Net debt, as shown, divided by Adjusted EBITDA for the preceding four quarters.

(5) Balance sheet cash plus unused capacity under the revolving ABL facility.

UNFI has further lowered its debt.

Reconciliation – FY23 Outlook

<i>(in millions, except per share amounts)</i>	Fiscal Year Ending July 29, 2023		
	Low Range	Estimate	High Range
Net income attributable to United Natural Foods, Inc.	\$ 90		\$ 142
Restructuring, acquisition and integration related expenses		10	
LIFO charge		100	
Business transformation costs		20	
Tax impact of adjustments and adjusted effective tax rate ⁽¹⁾		(35)	
Adjusted net income	\$ 185		\$ 237
Diluted weighted average shares outstanding	61		61
Adjusted EPS ⁽²⁾	\$ 3.05		\$ 3.90

(1) The estimated adjusted effective tax rate excludes the potential impact of changes in uncertain tax positions, tax impacts related to ASU 2016-09 regarding stock compensation and valuation allowances. Refer to the reconciliation for adjusted effective tax rate

(2) Adjusted EPS amounts as presented include rounding.

Reconciliation of 2023 guidance for Net income attributable to United Natural Foods, Inc. to Adjusted EBITDA (unaudited)

<i>(in millions)</i>	Fiscal Year Ending July 29, 2023		
	Low Range	Estimate	High Range
Net income attributable to United Natural Foods, Inc.	\$ 90		\$ 142
Provision for income taxes	32		50
LIFO charge		100	
Interest expense, net		140	
Other expense, net		11	
Depreciation and amortization		297	
Share-based compensation		44	
Net periodic benefit income, excluding service costs		(29)	
Business transformation costs		20	
Restructuring, acquisition and integration related expenses		10	
Adjusted EBITDA	\$ 715		\$ 785

<https://ir.unfi.com/news/press-release-details/2023/United-Natural-Foods-Inc.-Reports-Second-Quarter-Fiscal-2023-Results/>

Second Quarter Fiscal 2023 Highlights (comparisons to second quarter fiscal 2022)

- Net sales increased 5.4% to \$7.8 billion, primarily driven by inflation and new business
- Gross profit decreased \$6 million, or 0.6%, to nearly \$1.1 billion; prior to LIFO charge, gross profit rose 0.4%
- Net income decreased 71.2% to \$19 million; Earnings per diluted share (EPS) decreased 71.3% to \$0.31
- Adjusted EBITDA decreased 17.7% to \$181 million
- Adjusted EPS decreased 42.6% to \$0.78
- Reduced net debt by \$427 million sequentially, including the benefits from Accounts Receivable monetization
- Raising FY2023 sales outlook, reiterating capital expenditure outlook and lowering profitability outlook
- Continuing transformation agenda to improve operational execution and profitability

“Our second quarter sales grew over 5% compared to the prior year as more customers bought more categories, private brands, and professional services driving sales to over \$7.8 billion,” said Sandy Douglas, UNFI’s Chief Executive Officer. “While I’m pleased with our continued sales growth, profitability in the quarter was lower than recent levels and our plan. Profits were challenged as we did not repeat the significant level of procurement gains from rapidly accelerating inflation and inventory gains, due to supply chain volatility, that we experienced in the second quarter of last year. As a result of these challenges, we are reducing our profitability expectations for fiscal 2023 and withdrawing our fiscal 2024 targets.”

(\$ in millions, except for per share data)	13-Week Period Ended		Percent Change
	January 28, 2023	January 29, 2022	
Net sales	\$ 7,816	\$ 7,416	5.4%
Chains	\$ 3,322	\$ 3,243	2.4%
Independent retailers	\$ 1,980	\$ 1,905	3.9%
Supernatural	\$ 1,659	\$ 1,453	14.2%
Retail	\$ 660	\$ 643	2.6%
Other	\$ 609	\$ 581	4.8%
Eliminations	\$ (414)	\$ (409)	1.2%
Net income	\$ 19	\$ 66	(71.2)%
Adjusted EBITDA ⁽¹⁾	\$ 181	\$ 220	(17.7)%
EPS	\$ 0.31	\$ 1.08	(71.3)%
Adjusted EPS ⁽¹⁾	\$ 0.78	\$ 1.36	(42.6)%

Capital Allocation and Financing Overview

- Free Cash Flow – During the second quarter of 2023, free cash flow was \$448 million, compared to \$74 million in the second quarter of fiscal 2022. The results for the second quarter of fiscal 2023 reflect net cash provided by operating activities of \$532 million, primarily driven by the monetization of certain qualified accounts receivables as described below and cash generated from working capital, partially offset by payments for capital expenditures of \$84 million.
- Leverage – The net debt to adjusted EBITDA leverage ratio was 2.6x as of January 28, 2023. Total outstanding debt, net of cash, ended the quarter at \$2.07 billion, reflecting a decrease of \$427 million in the second quarter of fiscal 2023 (compared to the end of the first quarter of fiscal 2023) primarily driven by cash provided by operations in the second quarter of fiscal 2023.
- Liquidity – As of January 28, 2023, total liquidity was approximately \$1.57 billion, consisting of approximately \$40 million in cash, plus the ability to borrow an aggregate of approximately \$1.53 billion under the Company's asset-based lending facility.
- Repurchase program – During the second quarter of fiscal 2023, the Company repurchased approximately 390,000 shares at an average price of \$41.36 for an aggregate cost of approximately \$17 million, including fees and commissions.
- Accounts Receivable monetization - Early in the second quarter of fiscal 2023, the Company entered into a monetization program for the sale of certain accounts receivable which generated net cash proceeds of approximately \$282 million. Proceeds have been used to pay down debt.

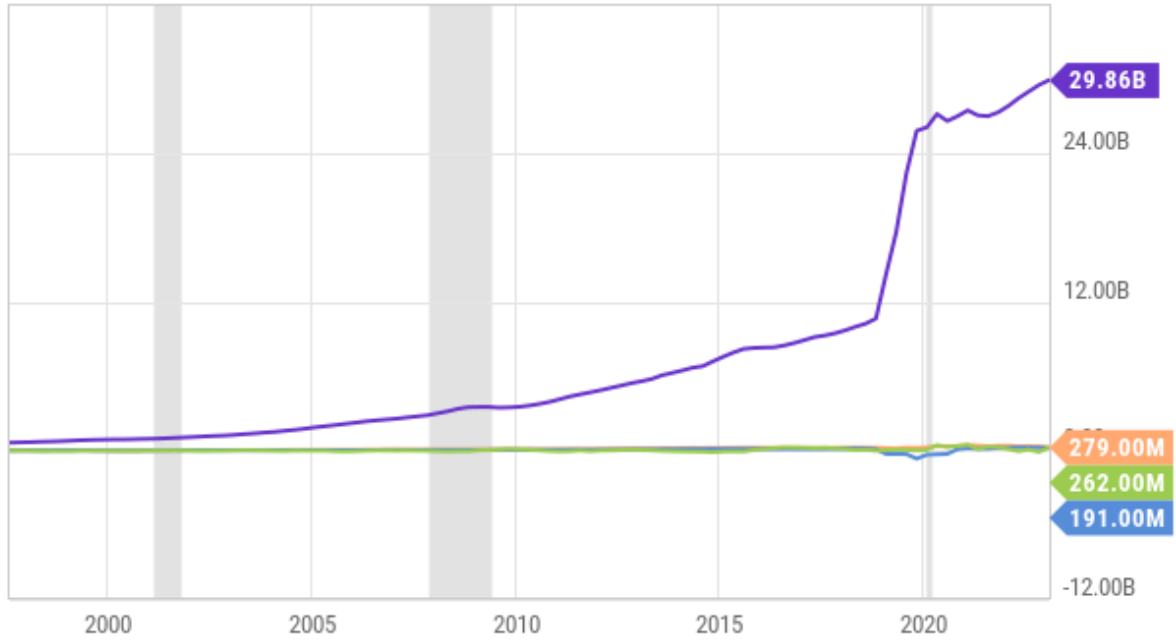
The Company has withdrawn its long-term fiscal year 2024 financial targets and updated its full year outlook to the following:

Fiscal Year Ending July 29, 2023	Previous Full Year Outlook	Updated Full Year Outlook	% Change Over FY22 at Midpoint
Net sales (\$ in billions)	\$29.8 - \$30.4	\$30.1 - \$30.5	5%
Net income (\$ in millions)	\$247 - \$266	\$90 - \$142	(53)%
EPS ⁽²⁾	\$3.95 - \$4.25	\$1.50 - \$2.35	(53)%
Adjusted EPS ⁽²⁾⁽³⁾⁽⁴⁾	\$4.85 - \$5.15	\$3.05 - \$3.90	(28)%
Adjusted EBITDA ⁽⁴⁾ (\$ in millions)	\$850 - \$880	\$715 - \$785	(10)%
Capital expenditures (\$ in millions)	~ \$350	~ \$350	39%

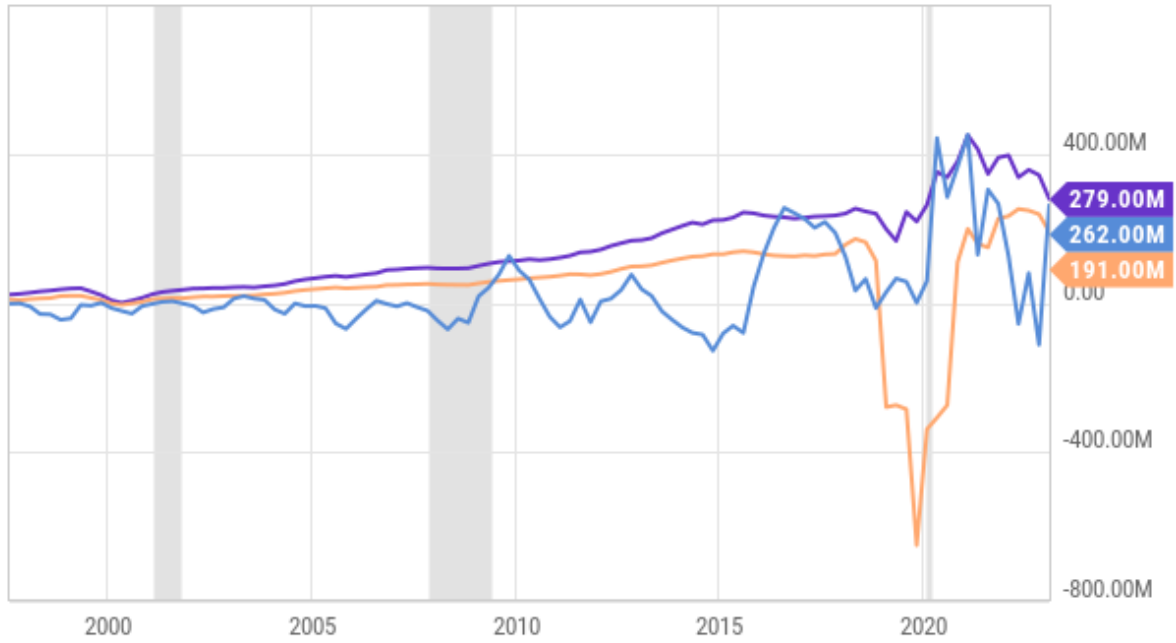
	13-Week Period Ended		26-Week Period Ended	
	January 28, 2023	January 29, 2022	January 28, 2023	January 29, 2022
Net sales	\$ 7,816	\$ 7,416	\$ 15,348	\$ 14,413
Cost of sales	6,747	6,341	13,183	12,296
Gross profit	1,069	1,075	2,165	2,117
Operating expenses	1,002	944	2,002	1,876
Restructuring, acquisition and integration related expenses	3	5	5	8
Loss (gain) on sale of assets	1	1	(4)	1
Operating income	63	125	162	232
Net periodic benefit income, excluding service cost	(7)	(10)	(14)	(20)
Interest expense, net	39	44	74	84
Other income, net	–	(2)	(1)	(1)
Income before income taxes	31	93	103	169
Provision for income taxes	9	25	14	24
Net income including noncontrolling interests	22	68	89	145
Less net income attributable to noncontrolling interests	(3)	(2)	(4)	(3)
Net income attributable to United Natural Foods, Inc.	\$ 19	\$ 66	\$ 85	\$ 142
Basic earnings per share	\$ 0.32	\$ 1.13	\$ 1.43	\$ 2.47
Diluted earnings per share	\$ 0.31	\$ 1.08	\$ 1.38	\$ 2.33
Weighted average shares outstanding:				
Basic	59.8	58.3	59.3	57.6
Diluted	61.0	61.0	61.3	61.0

UNITED NATURAL FOODS, INC.

- United Natural Foods Inc (UNFI) Revenue (TTM)
- United Natural Foods Inc (UNFI) Operating Income (TTM)
- United Natural Foods Inc (UNFI) Net Income (TTM)
- United Natural Foods Inc (UNFI) Free Cash Flow

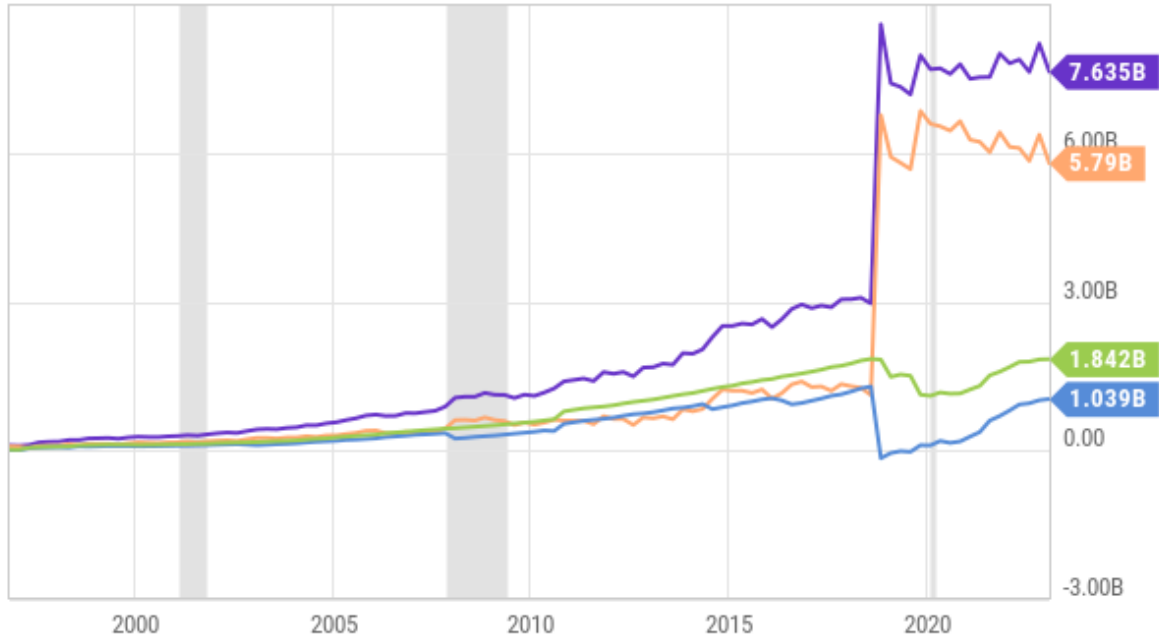


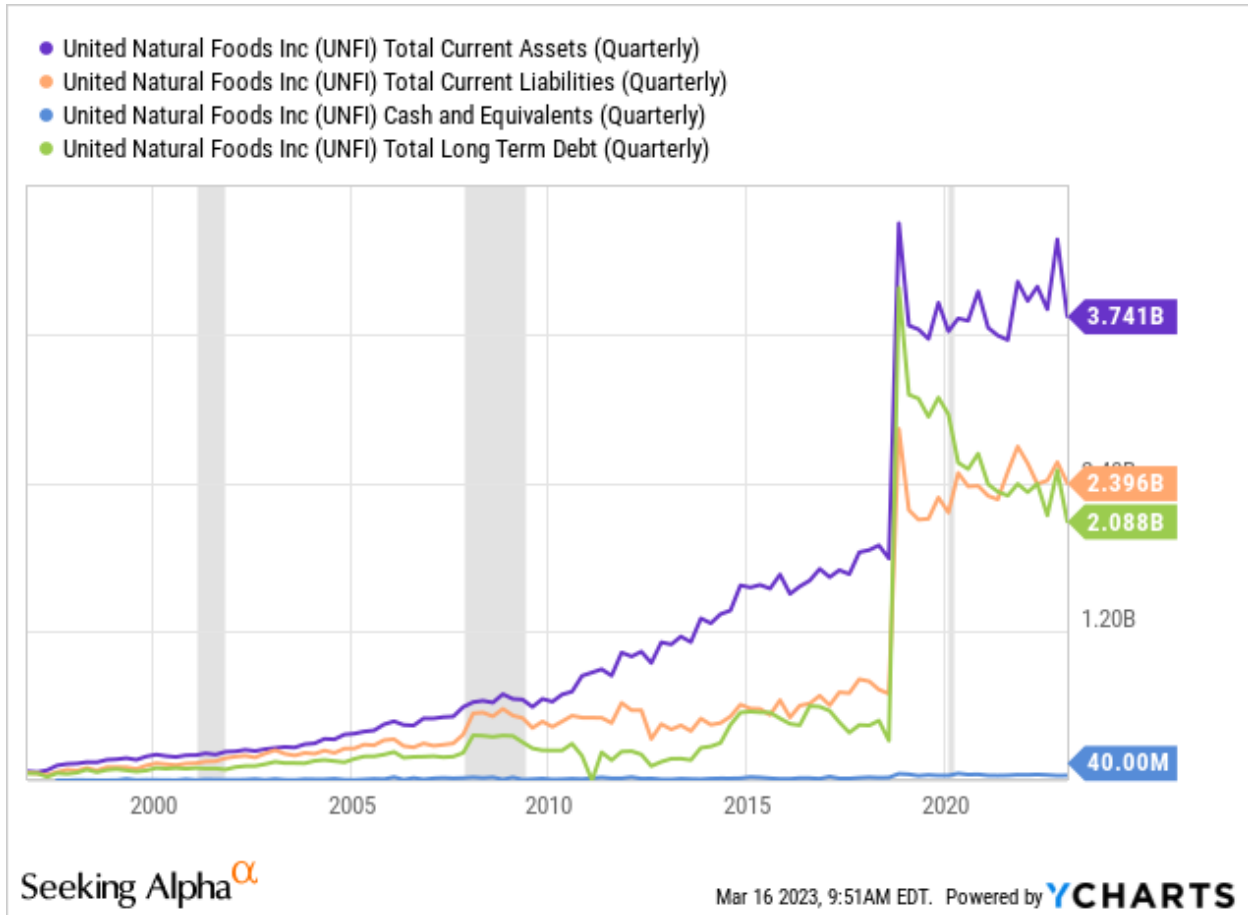
- United Natural Foods Inc (UNFI) Operating Income (TTM)
- United Natural Foods Inc (UNFI) Net Income (TTM)
- United Natural Foods Inc (UNFI) Free Cash Flow



	January 28, 2023	July 30, 2022
ASSETS		
Cash and cash equivalents	\$ 40	\$ 44
Accounts receivable, net	992	1,214
Inventories, net	2,512	2,355
Prepaid expenses and other current assets	197	184
Total current assets	3,741	3,797
Property and equipment, net	1,719	1,690
Operating lease assets	1,218	1,176
Goodwill	20	20
Intangible assets, net	783	819
Other long-term assets	154	126
Total assets	<u>\$ 7,635</u>	<u>\$ 7,628</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 1,797	\$ 1,742
Accrued expenses and other current liabilities	249	260
Accrued compensation and benefits	166	232
Current portion of operating lease liabilities	161	156
Current portion of long-term debt and finance lease liabilities	23	27
Total current liabilities	2,396	2,417
Long-term debt	2,065	2,109
Long-term operating lease liabilities	1,107	1,067
Long-term finance lease liabilities	18	23
Pension and other postretirement benefit obligations	18	18
Deferred income taxes	14	8
Other long-term liabilities	172	194
Total liabilities	5,790	5,836
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 5.0 shares; none issued or outstanding	-	-
Common stock, \$0.01 par value, authorized 100.0 shares; 60.9 shares issued and 59.6 shares outstanding at January 28, 2023; 58.9 shares issued and 58.3 shares outstanding at July 30, 2022	1	1
Additional paid-in capital	592	608
Treasury stock at cost	(53)	(24)
Accumulated other comprehensive loss	(9)	(20)
Retained earnings	1,311	1,226
Total United Natural Foods, Inc. stockholders' equity	1,842	1,791
Noncontrolling interests	3	1
Total stockholders' equity	1,845	1,792
Total liabilities and stockholders' equity	<u>\$ 7,635</u>	<u>\$ 7,628</u>

- United Natural Foods Inc (UNFI) Total Assets (Quarterly)
- United Natural Foods Inc (UNFI) Total Liabilities (Quarterly)
- United Natural Foods Inc (UNFI) Tangible Book Value (Quarterly)
- United Natural Foods Inc (UNFI) Book Value (Quarterly)





<https://seekingalpha.com/article/4585630-united-natural-foods-inc-unfi-q2-2023-earnings-call-transcript>

Our reduced profitability this quarter was primarily driven by a lower gross profit rate as we did not repeat the level of significant procurement and inventory gains experienced last year. Both of these gains in the previous year came during a time of significant industry volatility given the steep acceleration of inflation, continued disruptions in the supply chain and operational complexities. We also continue to experience elevated operating expenses as we're investing to service our customers, while supply chains and labor markets continue to gradually normalize.

I'd like to address the lack of visibility into the factors that affected our quarter. While we expected inflation to decline and the supply chain to continue to normalize, we did not fully appreciate the benefit to last year's gross profit from buying inventory in advance of supplier price increases in a sequentially rising inflationary environment. We now realize the magnitude of these benefits last year, which are not repeatable in the current environment. At the time, we did not have full visibility and sufficient detail into the commercial drivers of the benefits due to legacy issues with digital infrastructure limiting real time data, which is required to fully understand and forecast these profitability drivers. We were able to understand these issues toward the end of the quarter due to the significant intra period volatility, which has led us to a different set of financial expectations for fiscal 2023 compared to our December earnings call.

The management made the same mistake that I did. We did not realize how much inflation was helping the business last year.

Now with inflation and the pandemic over, things are getting back to normal.

<https://d18rn0p25nwr6d.cloudfront.net/CIK-0001020859/e9d23520-ecb2-469b-acb6-da6d0756c858.pdf>

NOTE 7—LONG-TERM DEBT

The Company's long-term debt consisted of the following:

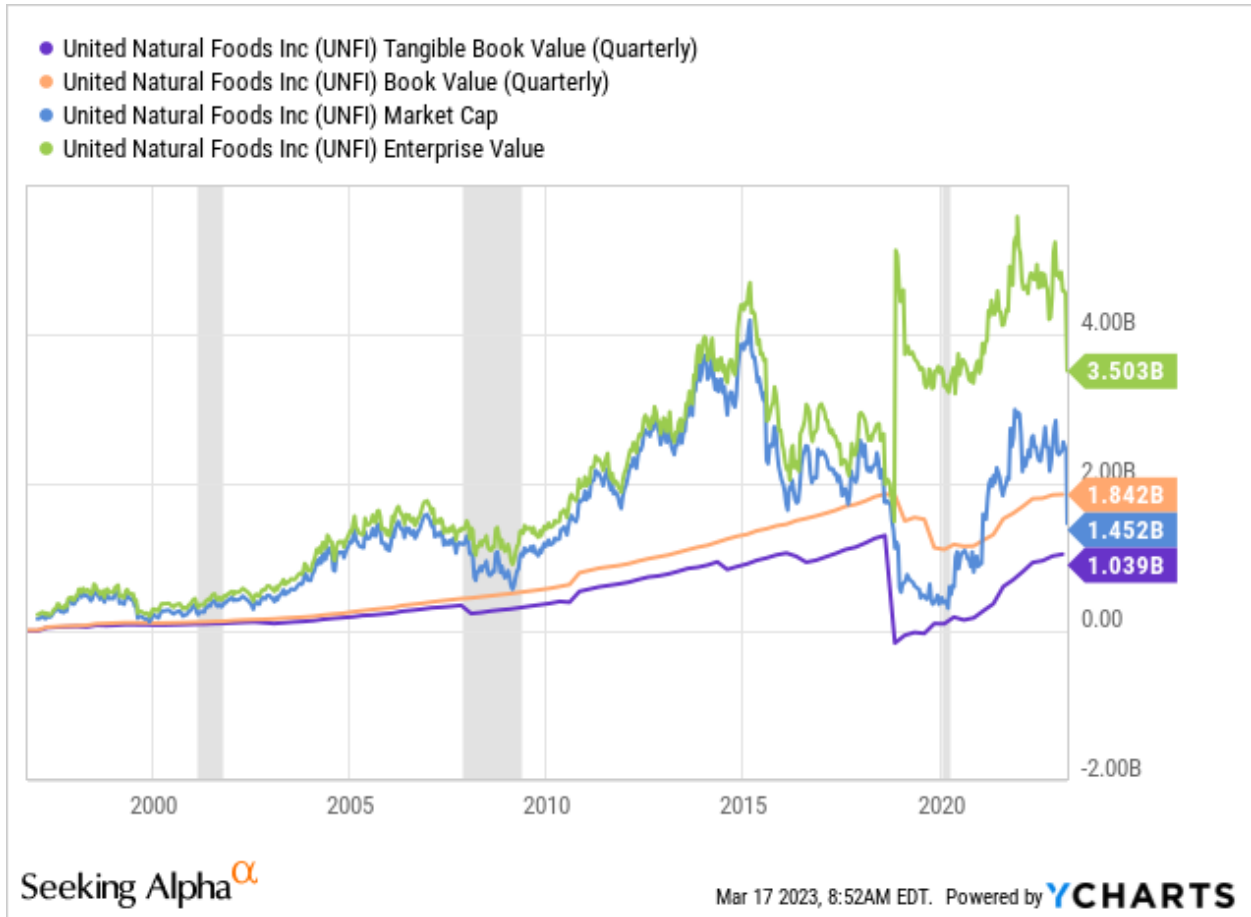
<i>(in millions)</i>	Average Interest Rate at January 28, 2023	Fiscal Maturity Year	January 28, 2023	July 30, 2022
Term Loan Facility	7.69%	2026	\$ 670	\$ 800
ABL Credit Facility	5.46%	2027	923	840
Senior Notes	6.75%	2029	500	500
Other secured loans	5.01%	2024-2025	16	23
Debt issuance costs, net			(25)	(29)
Original issue discount on debt			(7)	(11)
Long-term debt, including current portion			2,077	2,123
Less: current portion of long-term debt			(12)	(14)
Long-term debt			\$ 2,065	\$ 2,109

Valuations

	2018	2019	2020	2021	2022	TTM (2Q23)	2023	2024	2025	2026	2027
Revenues	\$ 10,227	\$ 22,307	\$ 26,514	\$ 27,870	\$ 28,928	\$ 29,863	\$ 30,300	\$ 29,800	\$ 30,992	\$ 32,232	\$ 33,521
Net Income	\$ 163	\$ (286)	\$ (254)	\$ 149	\$ 248	\$ 191	\$ 200	\$ 200	\$ 220	\$ 242	\$ 266
Depreciation	\$ 88	\$ 248	\$ 282	\$ 285	\$ 295	\$ 304	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300
Capex	\$ (45)	\$ (228)	\$ (173)	\$ (301)	\$ (251)	\$ (296)	\$ (350)	\$ (350)	\$ (350)	\$ (350)	\$ (350)
Goodwill impairment	\$ 11	\$ 293	\$ 425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Owner's Earnings	\$ 217	\$ 73	\$ 382	\$ 133	\$ 292	\$ 199	\$ 150	\$ 150	\$ 170	\$ 192	\$ 216
Divestitures	\$ (7)	\$ 46	\$ 102	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Issuance of Debt	\$ (26)	\$ 2,039	\$ (462)	\$ (347)	\$ (238)	\$ (420)					
Debt Due							\$ 14	\$ 14	\$ 16	\$ 670	\$ 923
Total Debt	\$ 309	\$ 2,819	\$ 2,427	\$ 2,175	\$ 2,111	\$ 2,065	\$ 2,065	\$ 2,065	\$ 2,065	\$ 2,065	\$ 2,065

We will change the discount rate from 13% to 15%, given the rising interest rates which negatively affect their numbers.

Year	OE	Discounted OE
TTM	\$ 199	
2023	\$ 150	\$ 133
2024	\$ 150	\$ 117
2025	\$ 170	\$ 118
2026	\$ 192	\$ 118
2027	\$ 216	\$ 117
Terminal Value		\$ 900
Intrinsic Value		\$ 1,503
Per share		\$ 25.30



UNFI is looking fairly valued.

Exit Multiples

2027 OE/share		2027 Price to OE Ratio				
		6	8	10	12	14
Bull	\$ 4.03	\$ 24.16	\$ 32.21	\$ 40.26	\$ 48.31	\$ 56.36
Base	\$ 3.66	\$ 21.96	\$ 29.28	\$ 36.60	\$ 43.92	\$ 51.24
Bear	\$ 3.29	\$ 19.76	\$ 26.35	\$ 32.94	\$ 39.53	\$ 46.12
Returns @	\$ 25.00	-21%	17%	46%	76%	125%
CAGR		-5%	3%	8%	12%	18%
Probability		5%	15%	40%	25%	15%
Expectation	9%	0%	0%	3%	3%	3%

Conclusion

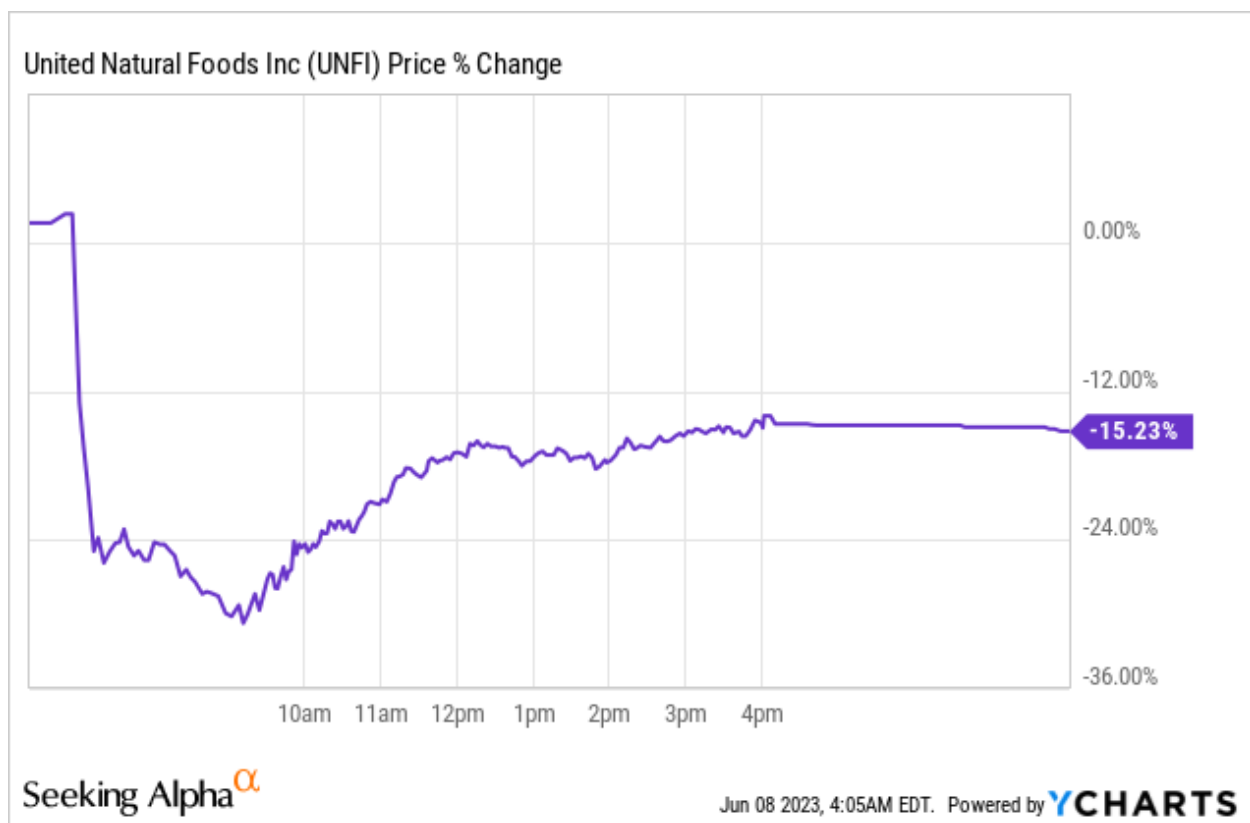
The fundamentals of UNFI have changed given the decelerating inflation and rising interest rates.

I have also made a mistake, along with the management, in regards to last years numbers and the impact of inflation on them.

Therefore, I will put a HOLD rating on UNFI and I will personally lower my position, given the macroeconomics headwings.

3Q23 Earnings Analysis

UNFI stock crashed by 14% after reporting third quarter 2023 earnings



This is not the first time that this is happening in the last 12 months

United Natural Foods Inc (UNFI) Price



Seeking Alpha α

Jun 08 2023, 4:06AM EDT. Powered by **YCHARTS**

https://s22.q4cdn.com/589001886/files/doc_financials/2023/q3/UNFI-Q3FY23-Presentation.pdf

Results Summary

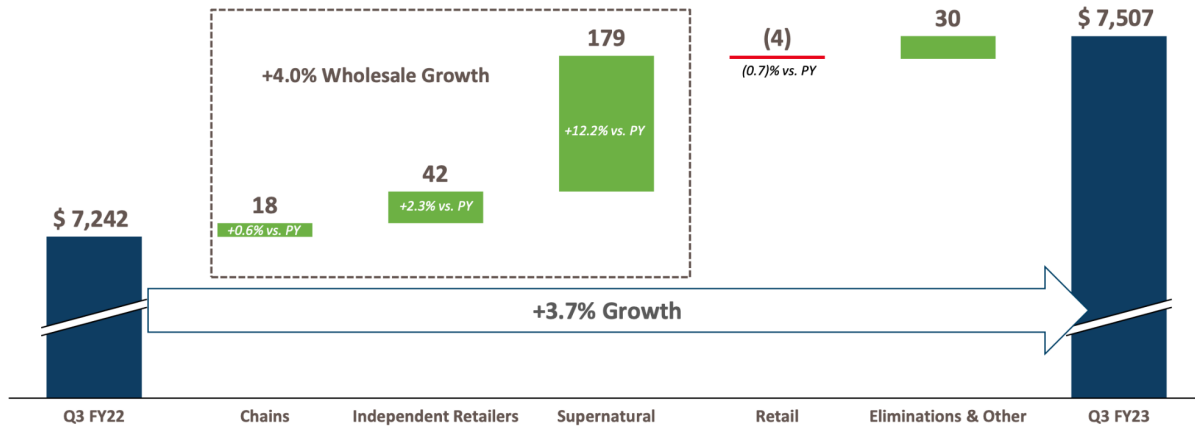
\$ in Millions, except for per share data.

	Q3 FY23	Q3 FY22	% Change
Net Sales	\$7,507	\$7,242	▲ 4%
Gross Profit	\$1,000	\$1,012	▼ 1%
Adjusted EBITDA ¹	\$159	\$196	▼ 19%
Adjusted EPS ¹	\$0.54	\$1.10	▼ 51%

- Net sales growth primarily driven by inflation, new customer wins, and deeper sales penetration with existing customers, partially offset by a decline in units.
- Adjusted EBITDA decline primarily reflects lower gross profit rate, which was partially offset by the reversal of incentive compensation accrual.
- Adjusted EPS decline primarily reflects lower Adjusted EBITDA, higher D&A and lower non-cash pension income.

Q3 FY23 Revenue Performance

\$ in Millions.

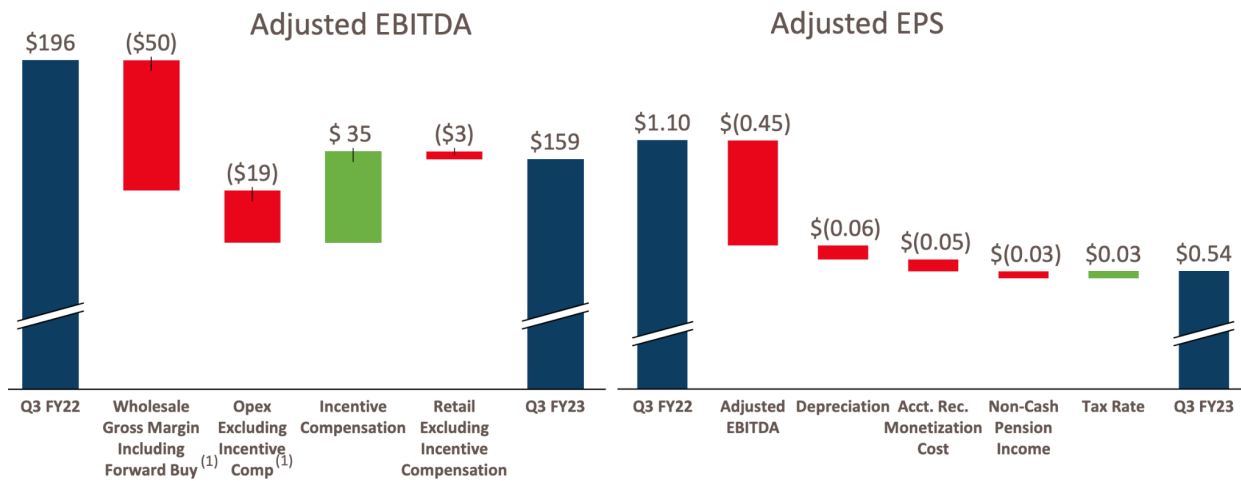


- Wholesale growth includes net inflation as well as new customers and new categories with existing customers, partially offset by a decline in unit volumes, which was in-line with the overall grocery market.
- New business pipeline remains strong and well diversified across all channels.

While sales are increasing, this is not being reflected on the bottomline as the low margins are being contracted.

Q3 FY23 Adjusted EBITDA and Adjusted EPS Performance

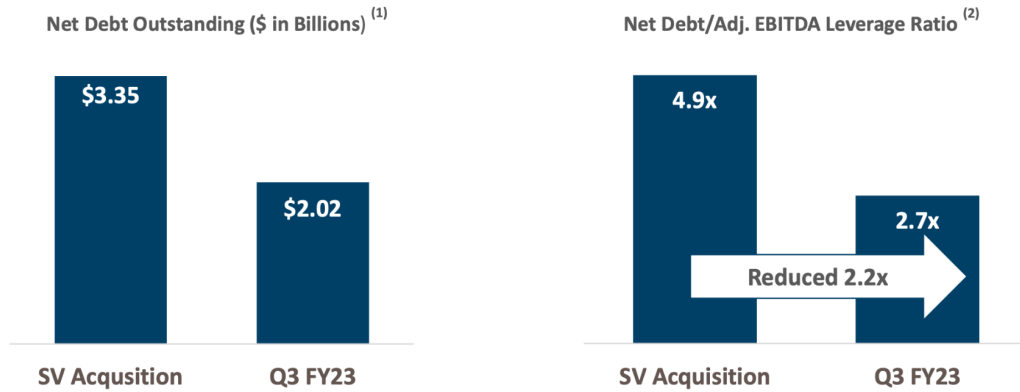
\$ in Millions, except per share data.



- Adjusted EBITDA decline driven by lower gross margin rate, primarily in natural, and reduced procurement gains.
- Lower Adjusted EPS primarily reflects decrease in Adjusted EBITDA as well as higher D&A associated with increased capex.

Continuing to Prioritize Debt Reduction

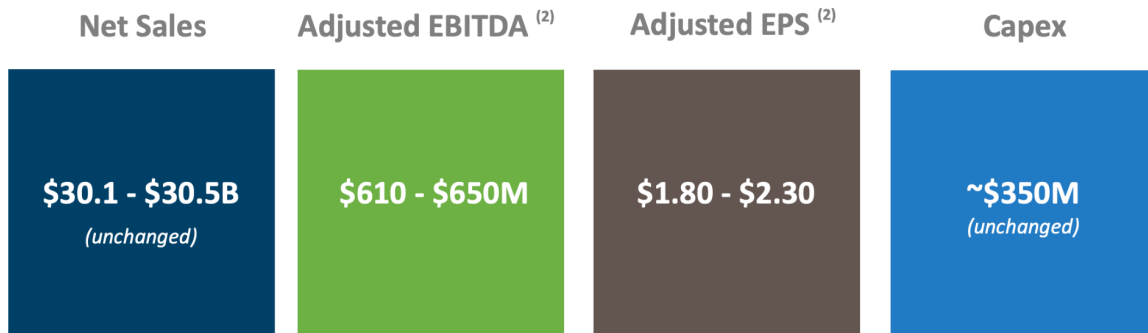
Lowest debt level since Supervalu Acquisition in 2018



- Continue to prioritize debt repayment reducing net debt balance by \$46 million in the quarter primarily driven by free cash flow generation of \$65 million.
- Ended quarter at 2.7x net debt to Adjusted EBITDA leverage, continuing steady decline since Supervalu acquisition.

Revising Fiscal 2023 Outlook ⁽¹⁾

Maintaining revenue and capital expenditures outlook, reducing profitability outlook



The main reason for the fall in stock price is the reduction in profitability outlook for the year.

That's a massive drop, even less than our expectations. What will be more important are FCF.

Capital structure

Modest sequential decrease in net debt

\$ in Millions									
	Maturity	Rate ⁽²⁾	Q4 FY20	Q4 FY21	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23
Secured term loan B-1 ⁽¹⁾	October 2025	S + 3.25%	\$ 1,773	\$ 1,002	\$ 800	\$ 800	\$ 800	\$ 670	\$ 670
\$2.6B ABL revolver ⁽¹⁾⁽³⁾	June 2027	S + 1.0% / Prime + 0.0%	757	701	1,101	840	1,217	923	879
Senior unsecured notes	October 2028	6.75%	-	500	500	500	500	500	500
Finance leases	Various	Various	156	142	39	36	33	28	26
Equipment loans	Various	Various	49	37	27	23	20	16	13
Original issue discount / deferred finance fees			(81)	(52)	(37)	(40)	(38)	(32)	(30)
Total Debt and Finance Leases (GAAP)			\$ 2,654	\$ 2,330	\$ 2,430	\$ 2,159	\$ 2,532	\$ 2,105	\$ 2,058
Balance sheet cash			(47)	(41)	(48)	(44)	(39)	(40)	(38)
Net Debt (GAAP)			\$ 2,607	\$ 2,289	\$ 2,382	\$ 2,115	\$ 2,493	\$ 2,066	\$ 2,020
LTM Adjusted EBITDA			\$ 691	\$ 770	\$ 822	\$ 829	\$ 836	\$ 797	\$ 760
Net Debt / Adjusted EBITDA ⁽⁴⁾			3.8x	3.0x	2.9x	2.6x	3.0x	2.6x	2.7x
Available Liquidity ⁽⁵⁾			\$ 1,235	\$ 1,321	\$ 909	\$ 1,671	\$ 1,289	\$ 1,573	\$ 1,615

(1) Paid \$150M in Q2 FY22 with borrowings on the ABL revolver and paid \$125M in Q2 FY23 with proceeds from monetizing certain accounts receivable.

(2) Converted the secured term loan B-1 and ABL revolver benchmark rates from LIBOR to SOFR (plus related credit spread adjustments) in Q4 FY22. Reduced the SOFR margin on the ABL revolver from 1.25% to 1.0% in Q4 FY22.

(3) Refinanced and upsized the ABL revolver from \$2.1B to \$2.6B in Q4 FY22.

(4) Net debt, as shown, divided by Adjusted EBITDA.

(5) Balance sheet cash plus unused capacity under the revolving ABL facility.

Reconciliation – Adjusted EBITDA

(in millions)	13-Week Period Ended		39-Week Period Ended	
	April 29, 2023	April 30, 2022	April 29, 2023	April 30, 2022
Net income including noncontrolling interests	\$ 8	\$ 68	\$ 97	\$ 213
Adjustments to net income including noncontrolling interests:				
Less net income attributable to noncontrolling interests	(1)	(1)	(5)	(4)
Net periodic benefit income, excluding service cost	(8)	(10)	(22)	(30)
Interest expense, net	35	37	109	121
Other income, net	(1)	(1)	(2)	(2)
(Benefit) provision for income taxes	(1)	29	13	53
Depreciation and amortization	77	72	224	210
Share-based compensation	10	10	33	33
LIFO charge	33	72	83	102
Restructuring, acquisition and integration related (benefits) expenses	(4)	8	1	16
Loss (gain) on sale of assets ⁽¹⁾	4	(88)	—	(87)
Multiemployer pension plan withdrawal benefit ⁽²⁾	—	—	—	(8)
Other retail benefit ⁽³⁾	—	—	—	(1)
Business transformation costs ⁽⁴⁾	7	—	16	—
Adjusted EBITDA	\$ 159	\$ 196	\$ 547	\$ 616

(1) Fiscal 2022 primarily reflects the gain on sale of our Riverside, California distribution center in the third quarter of fiscal 2022.

(2) Reflects an adjustment to multiemployer pension plan withdrawal charge estimates.

(3) Reflects an insurance recovery associated with event-specific damages to certain retail stores and store closure costs.

(4) Reflects third-party costs primarily for business transformation initiatives, including network automation and optimization, commercial value creation, digital offering enhancement and infrastructure unification and modernization.

Reconciliation – Adjusted EPS

<i>(in millions, except per share amounts)</i>	13-Week Period Ended		39-Week Period Ended	
	April 29, 2023	April 30, 2022	April 29, 2023	April 30, 2022
Net income attributable to United Natural Foods, Inc.	\$ 7	\$ 67	\$ 92	\$ 209
Restructuring, acquisition and integration related (benefits) expenses	(4)	8	1	16
Gain on sale of assets other than losses on sales of receivables ⁽¹⁾	—	(88)	(9)	(87)
LIFO charge	33	72	83	102
Surplus property depreciation and interest expense ⁽²⁾	—	—	1	2
Multiemployer pension plan withdrawal benefit	—	—	—	(8)
Loss on debt extinguishment	—	2	3	7
Other retail benefit ⁽³⁾	—	—	—	(1)
Business transformation costs ⁽⁴⁾	7	—	16	—
Tax impact of adjustments and adjusted effective tax rate ⁽⁵⁾	(10)	6	(37)	(23)
Adjusted net income	\$ 33	\$ 67	\$ 150	\$ 217
Diluted weighted average shares outstanding	60.4	60.9	61.0	61.0
Adjusted EPS⁽⁶⁾	\$ 0.54	\$ 1.10	\$ 2.46	\$ 3.56

- (1) Gain on sale of assets, as reflected here, does not include losses on sales of receivables under the accounts receivable monetization program, which are included in Loss (gain) on sale of assets on the Condensed Consolidated Statements of Operations and are not adjusted from Adjusted EPS.
- (2) Reflects surplus, non-operating property depreciation and interest expense.
- (3) Reflects an insurance recovery associated with event-specific damages to certain retail stores and store closure costs.
- (4) Reflects third-party costs primarily for business transformation initiatives, including network automation and optimization, commercial value creation, digital offering enhancement and infrastructure unification and modernization.
- (5) Represents the tax effect of the pre-tax adjustments using an adjusted effective tax rate. The adjusted effective tax rate is calculated based on adjusted net income before tax, and its impact reflects the exclusion of changes to uncertain tax positions, valuation allowances, tax impacts related to the vesting of share-based compensation awards and discrete GAAP tax items which could impact the comparability of the operational effective tax rate. The reconciliation of the adjusted effective tax rate used in calculating Adjusted EPS is provided in the table below. The Company believes using this adjusted effective tax rate provides better consistency across the interim reporting periods since each of these discrete items can cause volatility in the GAAP tax rate that is not indicative of the underlying ongoing operations of the Company. By providing this non-GAAP measure, management intends to provide investors with a meaningful, consistent comparison of the Company's effective tax rate on ongoing operations.
- (6) Earnings per share amounts are calculated using actual unrounded figures.

Better Food. Better Future.

<i>(in millions)</i>	13-Week Period Ended		39-Week Period Ended	
	April 29, 2023	April 30, 2022	April 29, 2023	April 30, 2022
Net cash provided by (used in) operating activities	\$ 132	\$ (74)	\$ 402	\$ (31)
Payments for capital expenditures	(67)	(52)	(218)	(158)
Free cash flow	\$ 65	\$ (126)	\$ 184	\$ (189)

Reconciliation – FY23 Outlook

Reconciliation of 2023 guidance for estimated Net income attributable to United Natural Foods, Inc. to Adjusted net income and estimated Adjusted EPS (unaudited)

<i>(in millions, except per share amounts)</i>	Fiscal Year Ending July 29, 2023		
	Low Range	Estimate	High Range
Net income attributable to United Natural Foods, Inc.	\$ 11		\$ 41
Restructuring, acquisition and integration related expenses		10	
LIFO charge		100	
Business transformation costs		20	
Tax impact of adjustments and adjusted effective tax rate ⁽¹⁾		(32)	
Adjusted net income	\$ 109		\$ 139
Diluted weighted average shares outstanding		61	61
Adjusted EPS ⁽²⁾	\$ 1.80		\$ 2.30

(1) The estimated adjusted effective tax rate excludes the potential impact of changes in uncertain tax positions, tax impacts related to the vesting of share-based compensation awards and valuation allowances. Refer to the reconciliation for adjusted effective tax rate.

(2) Adjusted EPS amounts as presented include rounding.

Reconciliation of 2023 guidance for Net income attributable to United Natural Foods, Inc. to Adjusted EBITDA (unaudited)

<i>(in millions)</i>	Fiscal Year Ending July 29, 2023		
	Low Range	Estimate	High Range
Net income attributable to United Natural Foods, Inc.	\$ 11		\$ 41
Provision for income taxes	4		14
LIFO charge		100	
Interest expense, net		139	
Other expense, net		11	
Depreciation and amortization		301	
Share-based compensation		43	
Net periodic benefit income, excluding service costs		(29)	
Business transformation costs		20	
Restructuring, acquisition and integration related expenses		10	
Adjusted EBITDA	\$ 610		\$ 650

<https://ir.unfi.com/news/press-release-details/2023/United-Natural-Foods-Inc.-Reports-Third-Quarter-Fiscal-2023-Results/default.aspx>

Third Quarter Fiscal 2023 Highlights (comparisons to third quarter fiscal 2022).

- Net sales increased 3.7% to \$7.5 billion
- Gross profit decreased \$12 million, or 1.2%, to \$1.0 billion; prior to LIFO charge, gross profit declined 4.7%
- Net income decreased 89.6% to \$7 million; Earnings per diluted share (EPS) decreased 89.1% to \$0.12
- Adjusted EBITDA decreased 18.9% to \$159 million
- Adjusted EPS decreased 50.9% to \$0.54
- Reduced net debt by \$46 million compared to the end of the second quarter
- Lowering FY2023 profitability outlook; maintaining sales and capital expenditure outlook
- Actioning over \$100 million of annualized near-term profitability enhancements while continuing longer-term value creation plan

(\$ in millions, except for per share data)	13-Week Period Ended		Percent Change
	April 29, 2023	April 30, 2022	
Net sales	\$ 7,507	\$ 7,242	3.7%
Chains	\$ 3,129	\$ 3,111	0.6%
Independent retailers	\$ 1,875	\$ 1,833	2.3%
Supernatural	\$ 1,647	\$ 1,468	12.2%
Retail	\$ 598	\$ 602	(0.7)%
Other	\$ 640	\$ 625	2.4%
Eliminations	\$ (382)	\$ (397)	(3.8)%
Net income	\$ 7	\$ 67	(89.6)%
Adjusted EBITDA ⁽¹⁾	\$ 159	\$ 196	(18.9)%
EPS	\$ 0.12	\$ 1.10	(89.1)%
Adjusted EPS ⁽¹⁾	\$ 0.54	\$ 1.10	(50.9)%

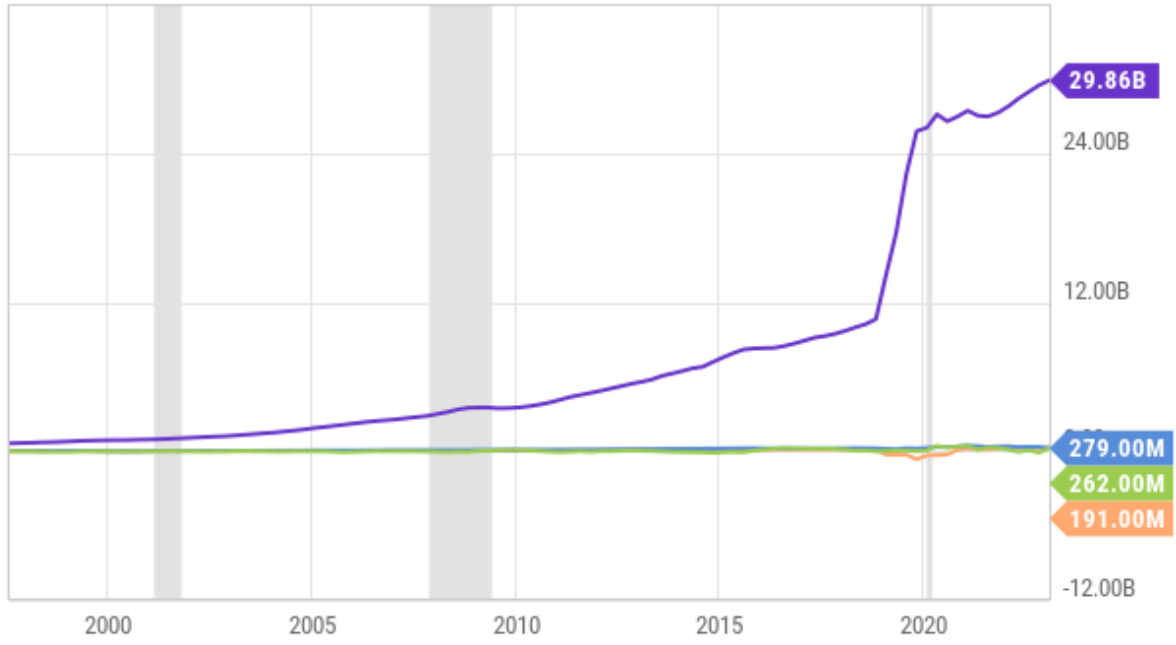
Fiscal 2023 Outlook ⁽¹⁾

The Company has updated its full year outlook to the following:

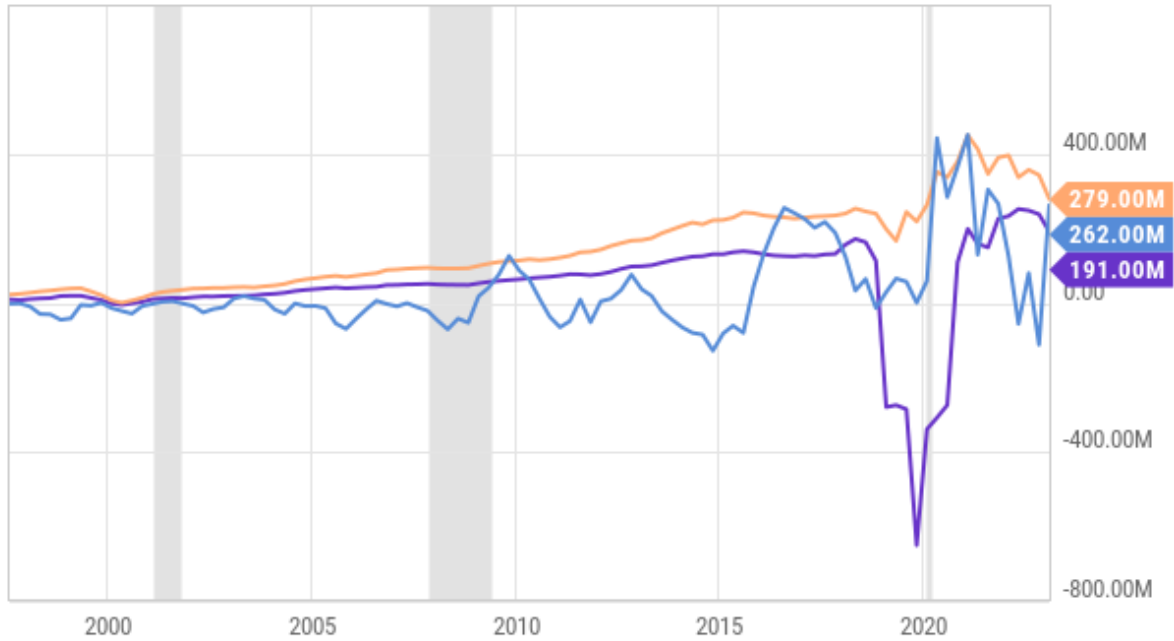
Fiscal Year Ending July 29, 2023	Previous Full Year Outlook	
	Provided March 8, 2023	Updated Full Year Outlook
Net sales (\$ in billions)	\$30.1 - \$30.5	\$30.1 - \$30.5
Net income (\$ in millions)	\$90 - \$142	\$11 - \$41
EPS ⁽²⁾	\$1.50 - \$2.35	\$0.20 - \$0.70
Adjusted EPS ⁽²⁾⁽³⁾⁽⁴⁾	\$3.05 - \$3.90	\$1.80 - \$2.30
Adjusted EBITDA ⁽⁴⁾ (\$ in millions)	\$715 - \$785	\$610 - \$650
Capital expenditures (\$ in millions)	~\$350	~\$350

	13-Week Period Ended		39-Week Period Ended	
	April 29, 2023	April 30, 2022	April 29, 2023	April 30, 2022
Net sales	\$ 7,507	\$ 7,242	\$ 22,855	\$ 21,655
Cost of sales	6,507	6,230	19,690	18,526
Gross profit	1,000	1,012	3,165	3,129
Operating expenses	967	969	2,969	2,845
Restructuring, acquisition and integration related (benefits) expenses	(4)	8	1	16
Loss (gain) on sale of assets	4	(88)	—	(87)
Operating income	33	123	195	355
Net periodic benefit income, excluding service cost	(8)	(10)	(22)	(30)
Interest expense, net	35	37	109	121
Other income, net	(1)	(1)	(2)	(2)
Income before income taxes	7	97	110	266
(Benefit) provision for income taxes	(1)	29	13	53
Net income including noncontrolling interests	8	68	97	213
Less net income attributable to noncontrolling interests	(1)	(1)	(5)	(4)
Net income attributable to United Natural Foods, Inc.	\$ 7	\$ 67	\$ 92	\$ 209
Basic earnings per share	\$ 0.12	\$ 1.15	\$ 1.55	\$ 3.62
Diluted earnings per share	\$ 0.12	\$ 1.10	\$ 1.51	\$ 3.44
Weighted average shares outstanding:				
Basic	59.4	58.4	59.3	57.9
Diluted	60.4	60.9	61.0	61.0

- United Natural Foods Inc (UNFI) Revenue (TTM)
- United Natural Foods Inc (UNFI) Net Income (TTM)
- United Natural Foods Inc (UNFI) Operating Income (TTM)
- United Natural Foods Inc (UNFI) Free Cash Flow



- United Natural Foods Inc (UNFI) Net Income (TTM)
- United Natural Foods Inc (UNFI) Operating Income (TTM)
- United Natural Foods Inc (UNFI) Free Cash Flow



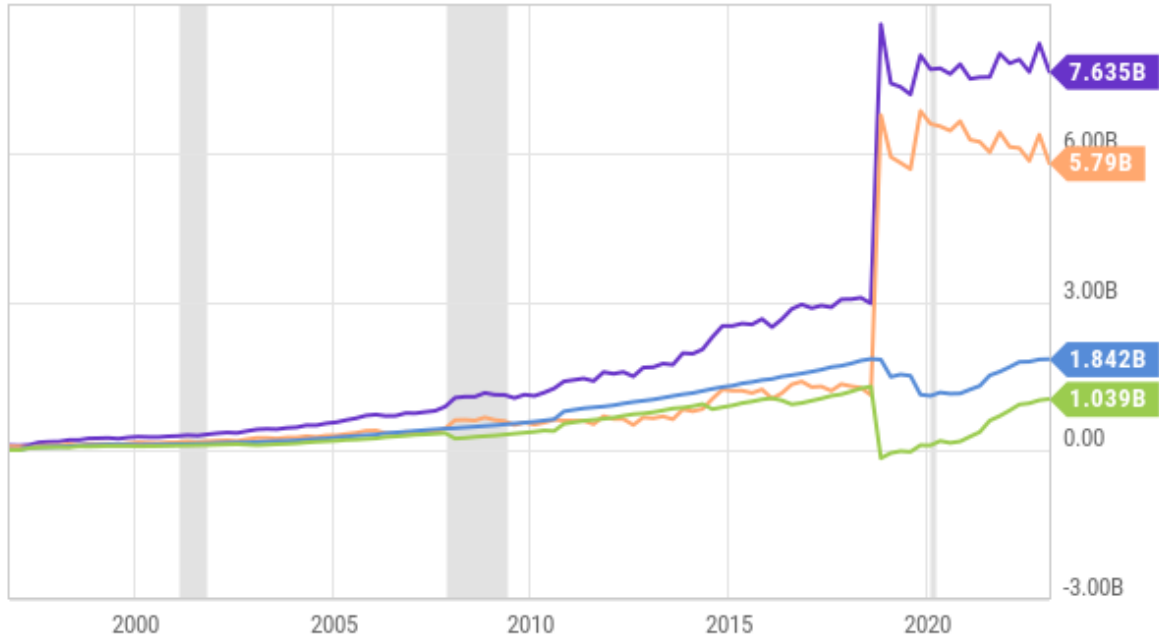
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Jun 08 2023, 6:40AM EDT. Powered by **YCHARTS**

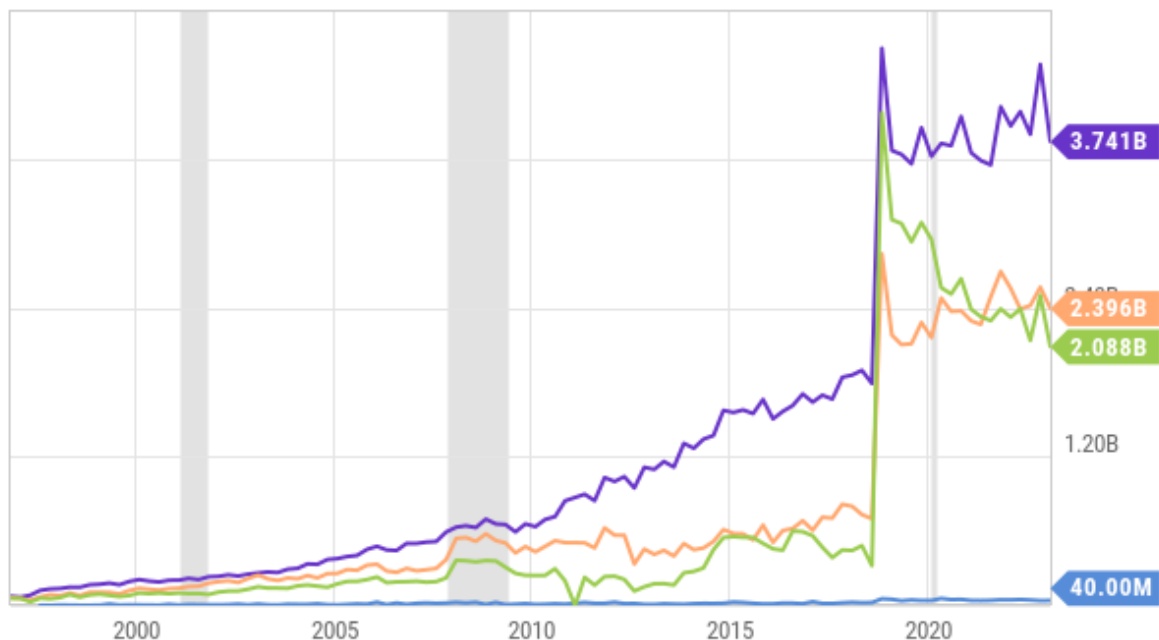
	April 29, 2023	July 30, 2022
ASSETS		
Cash and cash equivalents	\$ 38	\$ 44
Accounts receivable, net	985	1,214
Inventories, net	2,465	2,355
Prepaid expenses and other current assets	204	184
Total current assets	3,692	3,797
Property and equipment, net	1,735	1,690
Operating lease assets	1,236	1,176
Goodwill	20	20
Intangible assets, net	765	819
Other long-term assets	193	126
Total assets	\$ 7,641	\$ 7,628

LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 1,837	\$ 1,742
Accrued expenses and other current liabilities	268	260
Accrued compensation and benefits	165	232
Current portion of operating lease liabilities	164	156
Current portion of long-term debt and finance lease liabilities	21	27
Total current liabilities	2,455	2,417
Long-term debt	2,022	2,109
Long-term operating lease liabilities	1,122	1,067
Long-term finance lease liabilities	15	23
Pension and other postretirement benefit obligations	18	18
Deferred income taxes	13	8
Other long-term liabilities	154	194
Total liabilities	5,799	5,836
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 5.0 shares; none issued or outstanding	-	-
Common stock, \$0.01 par value, authorized 100.0 shares; 60.9 shares issued and 59.2 shares outstanding at April 29, 2023; 58.9 shares issued and 58.3 shares outstanding at July 30, 2022	1	1
Additional paid-in capital	602	608
Treasury stock at cost	(65)	(24)
Accumulated other comprehensive loss	(15)	(20)
Retained earnings	1,318	1,226
Total United Natural Foods, Inc. stockholders' equity	1,841	1,791
Noncontrolling interests	1	1
Total stockholders' equity	1,842	1,792
Total liabilities and stockholders' equity	\$ 7,641	\$ 7,628

- United Natural Foods Inc (UNFI) Total Assets (Quarterly)
- United Natural Foods Inc (UNFI) Total Liabilities (Quarterly)
- United Natural Foods Inc (UNFI) Book Value (Quarterly)
- United Natural Foods Inc (UNFI) Tangible Book Value (Quarterly)



- United Natural Foods Inc (UNFI) Total Current Assets (Quarterly)
- United Natural Foods Inc (UNFI) Total Current Liabilities (Quarterly)
- United Natural Foods Inc (UNFI) Cash and Equivalents (Quarterly)
- United Natural Foods Inc (UNFI) Total Long Term Debt (Quarterly)



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Jun 08 2023, 6:48AM EDT. Powered by **YCHARTS**

	39-Week Period Ended	
	April 29, 2023	April 30, 2022
<i>(in millions)</i>		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income including noncontrolling interests	\$ 97	\$ 213
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	224	210
Share-based compensation	33	33
Gain on sale of property and equipment	(9)	(87)
Closed property and other restructuring charges	–	1
Net pension and other postretirement benefit income	(22)	(30)
Deferred income tax expense	2	–
LIFO charge	83	102
(Recoveries) provision for losses on receivables	(2)	4
Non-cash interest expense and other adjustments	11	20
Changes in operating assets and liabilities	(15)	(497)
Net cash provided by (used in) operating activities	402	(31)

CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for capital expenditures	(218)	(158)
Proceeds from dispositions of assets	14	231
Payments for investments	(7)	(28)
Net cash (used in) provided by investing activities	(211)	45
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings under revolving credit line	2,387	3,853
Repayments of borrowings under revolving credit line	(2,348)	(3,453)
Repayments of long-term debt and finance leases	(149)	(369)
Repurchases of common stock	(41)	–
Proceeds from the issuance of common stock and exercise of stock options	–	9
Payments of employee restricted stock tax withholdings	(39)	(42)
Payments for debt issuance costs	–	(1)
Distributions to noncontrolling interests	(5)	(4)
Repayments of other loans	(2)	–
Net cash used in financing activities	(197)	(7)
EFFECT OF EXCHANGE RATE ON CASH	–	–
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6)	7
Cash and cash equivalents, at beginning of period	44	41
Cash and cash equivalents, at end of period	\$ 38	\$ 48
<i>Supplemental disclosures of cash flow information:</i>		
Cash paid for interest	\$ 114	\$ 110
Cash refunds for federal, state, and foreign income taxes, net	\$ (4)	\$ –
Leased assets obtained in exchange for new operating lease liabilities	\$ 198	\$ 260
Leased assets obtained in exchange for new finance lease liabilities	\$ –	\$ 1
Additions of property and equipment included in Accounts payable	\$ 42	\$ 27

https://s22.q4cdn.com/589001886/files/doc_financials/2023/q3/f80a6ead-9476-4be5-84b7-2b6611ab6e0a.pdf

NOTE 7—LONG-TERM DEBT

The Company's long-term debt consisted of the following:

<i>(in millions)</i>	Average Interest Rate at April 29, 2023	Fiscal Maturity Year	April 29, 2023	July 30, 2022
Term Loan Facility	8.35%	2026	\$ 670	\$ 800
ABL Credit Facility	6.20%	2027	879	840
Senior Notes	6.75%	2029	500	500
Other secured loans	4.93%	2024-2025	13	23
Debt issuance costs, net			(23)	(29)
Original issue discount on debt			(7)	(11)
Long-term debt, including current portion			2,032	2,123
Less: current portion of long-term debt			(10)	(14)
Long-term debt			\$ 2,022	\$ 2,109

Let's see what the management had to say

<https://seekingalpha.com/article/4610031-united-natural-foods-inc-unfi-q3-2023-earnings-call-transcript>

Leah Jordan

Okay, thank you. And then on my follow-up, I wanted to see if you can give more detail on your capital allocation priorities. And also curious how you're thinking about the timeline of getting back to below 2.5x leverage and balancing that with all the investments you have in tech and automation along with buybacks?

John Howard

Yes, sure. So, I'll start that and capital allocation still a primary focus of ours. And the way we think about that is, we think about where can we invest that cash? And we've got the opportunities to invest and grow for the business, as well as to drive those transformational improvements that we've talked about before. Those are both required investments. And then, of course, the other priority is, of course, continuing to improve our debt-to-EBITDA leverage.

That's going to be challenged a little bit in the foreseeable future given the trends in our business, but the way we think about that is we're going to continue to make the right short and long-term investment decisions looking for the right returns for the shareholder, as it relates to those transformation and other investments to run and grow the business and drive the efficiencies. And then as I mentioned, to continue to focus on debt reduction and improving that debt-to-EBITDA leverage.

Scott Mushkin

Hey, guys. Thanks for taking my questions. A decent amount to unpack here. So, I guess I wanted to start-off with retail. And, you know, obviously, the business is underperforming. It's underperforming the market quite a bit. You know, there were thoughts originally when the merger took place that it would be sold. Can you just give us a little bit of an update on where you're headed strategically on retail? And then also maybe how you improve the business?

Sandy Douglas

Yes. Thanks, Scott. I'll take that. And you're right, we had a weak quarter in retail this quarter. We've been seeing some sequential top line resistance and we've got a new management team in there that's taking decisive action to resuscitate the Cub brand. The Cub brand is still the market leader in the Twin Cities. And I think our intermediate assessment here is, we needed to get more focused from a value standpoint and on a fresh category perspective and the teams take an action to do that.

On the broader question of capital allocation, obviously, we don't have anything that we would publicly say about that other than it's our general focus and a part of our thinking in every aspect of the company to make sure that our uses of capital are generating the highest level of return and focus. Those are independent answers. We have a strong plan to resuscitate Cub. It is not a weak asset. It just had a quarter or two of subpar performance and we're taking action to address that.

Valuations

	2018	2019	2020	2021	2022	TTM (3Q23)	2023	2024	2025	2026	2027
Revenues	\$ 10,227	\$ 22,307	\$ 26,514	\$ 27,870	\$ 28,928	\$ 30,128	\$ 30,300	\$ 29,800	\$ 30,992	\$ 32,232	\$ 33,521
Net Income	\$ 163	\$ (286)	\$ (254)	\$ 149	\$ 248	\$ 131	\$ 26	\$ 180	\$ 220	\$ 242	\$ 266
Depreciation	\$ 88	\$ 248	\$ 282	\$ 285	\$ 295	\$ 309	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300
Capex	\$ (45)	\$ (228)	\$ (173)	\$ (301)	\$ (251)	\$ (311)	\$ (350)	\$ (350)	\$ (350)	\$ (350)	\$ (350)
Goodwill impairment	\$ 11	\$ 293	\$ 425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Owner's Earnings	\$ 217	\$ 73	\$ 382	\$ 133	\$ 292	\$ 129	\$ (24)	\$ 130	\$ 170	\$ 192	\$ 216
Divestitures	\$ (7)	\$ 46	\$ 102	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Issuance of Debt	\$ (26)	\$ 2,039	\$ (462)	\$ (347)	\$ (238)	\$ (381)					
Debt Due							\$ 14	\$ 14	\$ 16	\$ 670	\$ 879
Total Debt	\$ 309	\$ 2,819	\$ 2,427	\$ 2,175	\$ 2,111	\$ 2,022					

We have used the midpoint for the 2023 forecast and have been more conservative for 2024, taking into account a recession risk.

We will increase the discount rate to 15% with terminal growth rate at 2%.

Year	OE	Discounted OE
TTM	\$ 129	
2023	\$ (24)	\$ (21)
2024	\$ 130	\$ 98
2025	\$ 170	\$ 112
2026	\$ 192	\$ 110
2027	\$ 216	\$ 107
Terminal Value		\$ 823
Intrinsic Value		\$ 1,229
Per share		\$ 20.35

Exit Multiples

		2024 Price to OE Ratio				
2024 OE/share		6	8	10	12	14
Bull	\$ 2.37	\$ 14.19	\$ 18.92	\$ 23.65	\$ 28.38	\$ 33.11
Base	\$ 2.15	\$ 12.90	\$ 17.20	\$ 21.50	\$ 25.80	\$ 30.10
Bear	\$ 1.51	\$ 9.03	\$ 12.04	\$ 15.05	\$ 18.06	\$ 21.07
Returns @	\$ 23.46	-62%	-27%	-8%	10%	41%
CAGR		-17%	-6%	-2%	2%	7%
Probability		10%	20%	40%	20%	10%
Expectation	-3%	-2%	-1%	-1%	0%	1%

2027 OE/share		2027 Price to OE Ratio				
		6	8	10	12	14
Bull	\$ 4.03	\$ 24.16	\$ 32.21	\$ 40.26	\$ 48.31	\$ 56.36
Base	\$ 3.66	\$ 21.96	\$ 29.28	\$ 36.60	\$ 43.92	\$ 51.24
Bear	\$ 3.29	\$ 19.76	\$ 26.35	\$ 32.94	\$ 39.53	\$ 46.12
Returns @	\$ 23.46	-16%	25%	56%	87%	140%
CAGR		-3%	5%	9%	13%	19%
Probability		5%	15%	40%	25%	15%
Expectation	10%	0%	1%	4%	3%	3%

Conclusion



UNFI is now fairly valued. With so many economic uncertainties and mismanagement, I have taken a bigger margin of safety.

Sources

1. https://s22.q4cdn.com/589001886/files/doc_financials/2023/q2/Q2-FY23-Earnings-Presentation.pdf
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