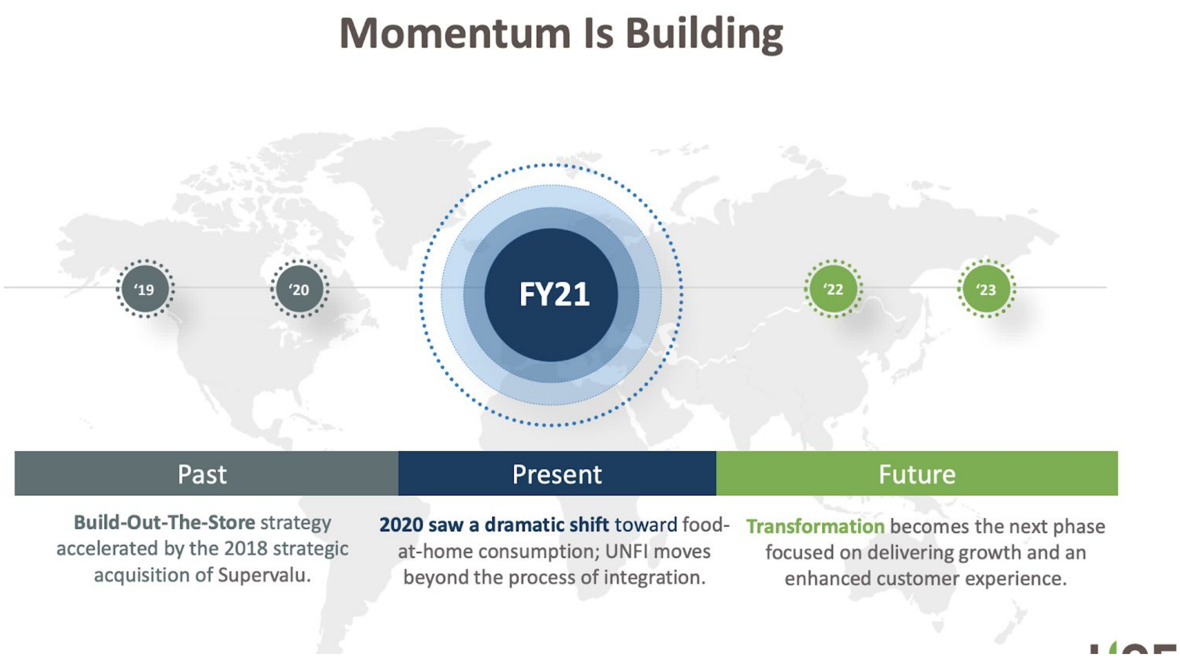
United Natural Foods, Inc. (NYSE: UNFI) is the largest publicly traded wholesale distributor delivering healthier food options to people throughout the United States and Canada.
UNFI distributes over 250,000 natural, organic and conventional products to more than 30,000 customers including natural product superstores, independent retailers, conventional supermarket chains, ecommerce retailers and food service industry.

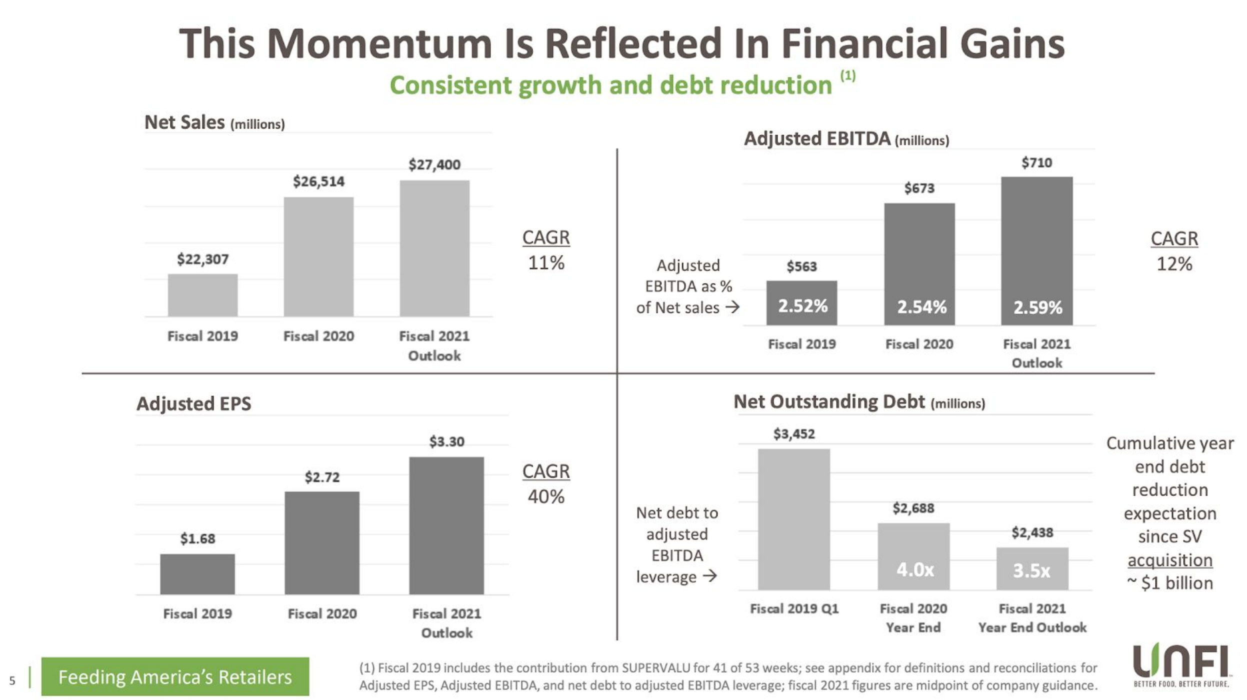
UNFI Moves Food Forward, every day delivering healthier food options to more people. We reach the highest standards for quality, consistency, product assortments, dependability, value-added support services and integrity in the business. As the demand for healthy, fresh, locally sourced items evolves, so do we. The natural and organic food industry has faced multiple challenges as retailers deal with consolidation and increased competition. Despite obstacles, our industry is showing tremendous growth – UNFI has a strategy to meet growing needs.

With industry-leading service levels and broad product availability, we are able to enhance value for our customers. From our highly evolved logistics network to promotional programs and more, we continue to find new ways to help our customers discover what’s next. Our scale and unique infrastructure allow us to give retailers unparalleled access to a wide range of products.

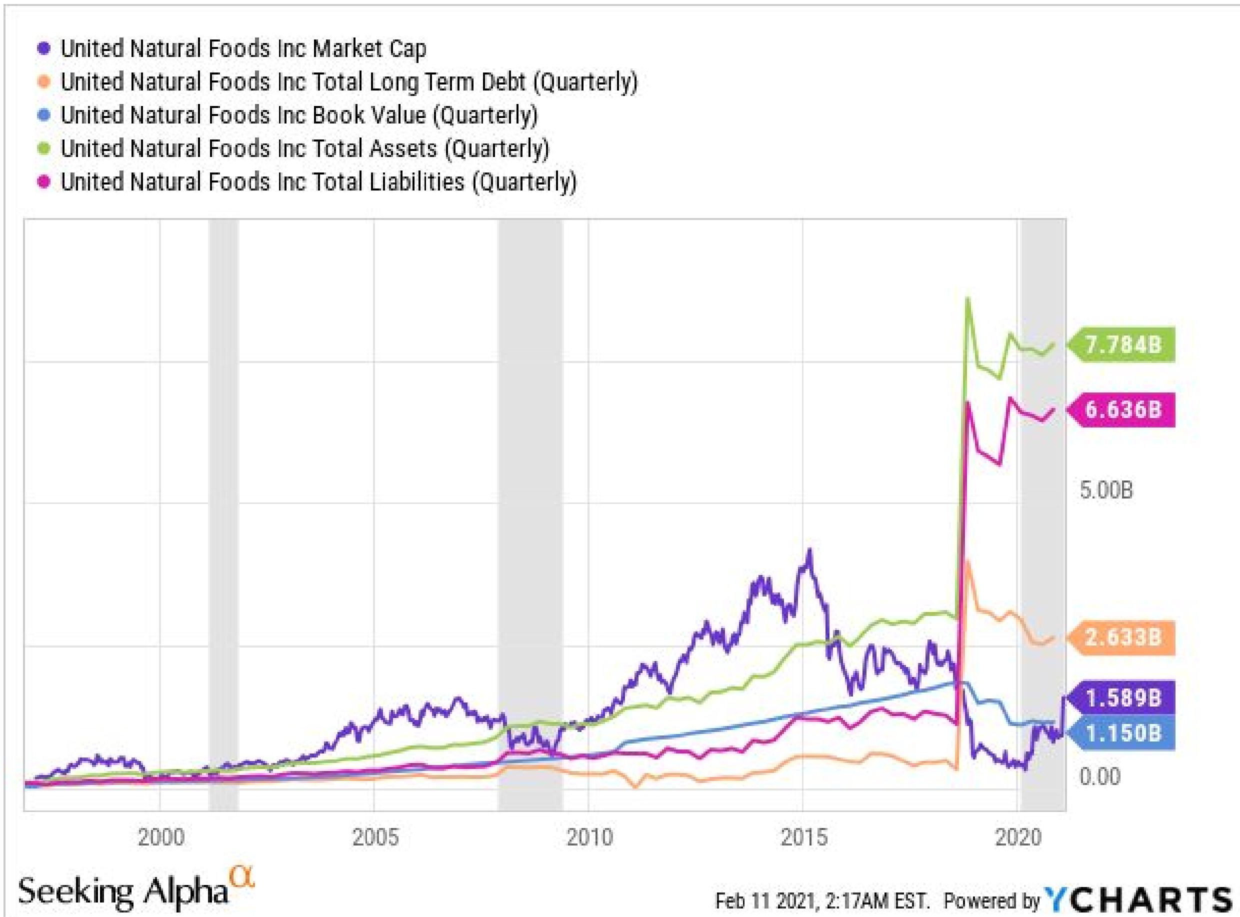
With nearly 50 distribution centers across the United States and Canada, we can provide more people with a wider range of natural and organic as well as conventional grocery, chill, specialty, pet and personal care items. With change all around us, we remain committed to promoting healthy food systems, reducing our environmental impact and supporting our communities.

Every day we guide a healthier road ahead. We are deeply committed to supporting social and environmental initiatives including environmental conservation and protection, sustainable agriculture and social responsibility. This is an exciting time for UNFI. We believe our sourcing capabilities, recent acquisitions, and demonstrated leadership within “better-for-you” distribution are what will provide growth opportunities with new and existing customers for the road ahead.

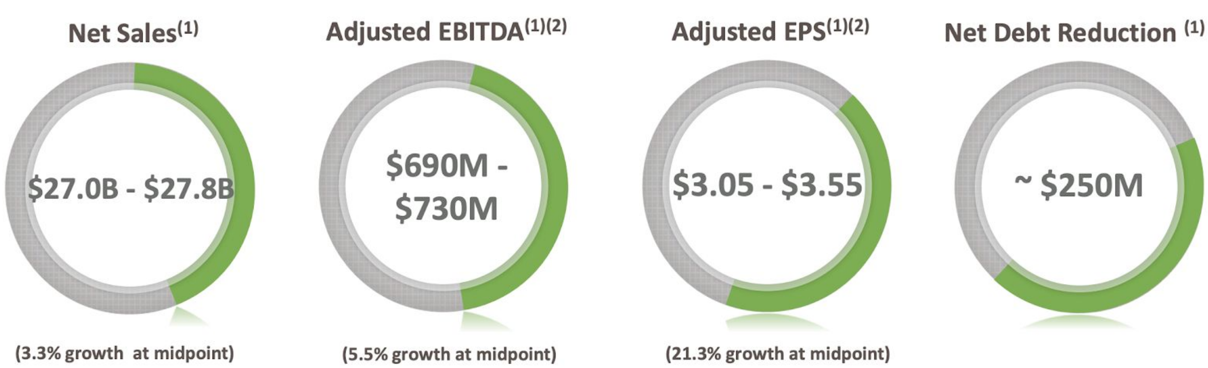




After a big acquisition in 2018, the company took big debt but things are improving



Fiscal 2021 Outlook



Unmatched Offerings Set UNFI Apart

Largest Product Offering in North America Food Wholesale

More than 275,000 products across the store

Feeding America's Retailers

	UNFI	C&S Wholesale Grocers	SpartanNash	KeHE	Category Growth
Conventional	✓	✓	✓		**12.4%**
Natural	✓			✓	**16.3%**
Specialty	✓			✓	**10.0%**
Services	✓				
Protein / Produce	✓	✓	✓		**16.0%**
Deli	✓				**1.9%**
Private Brands > $1B	✓				**12.3%**
eComm	✓	✓	✓	✓	**40%**

Growth rates: UNFI calculations on Growth Rate based in part on Nielsen data Total US Food for 52 weeks ended 12/5/20; eComm is 2020 estimate per Coresight

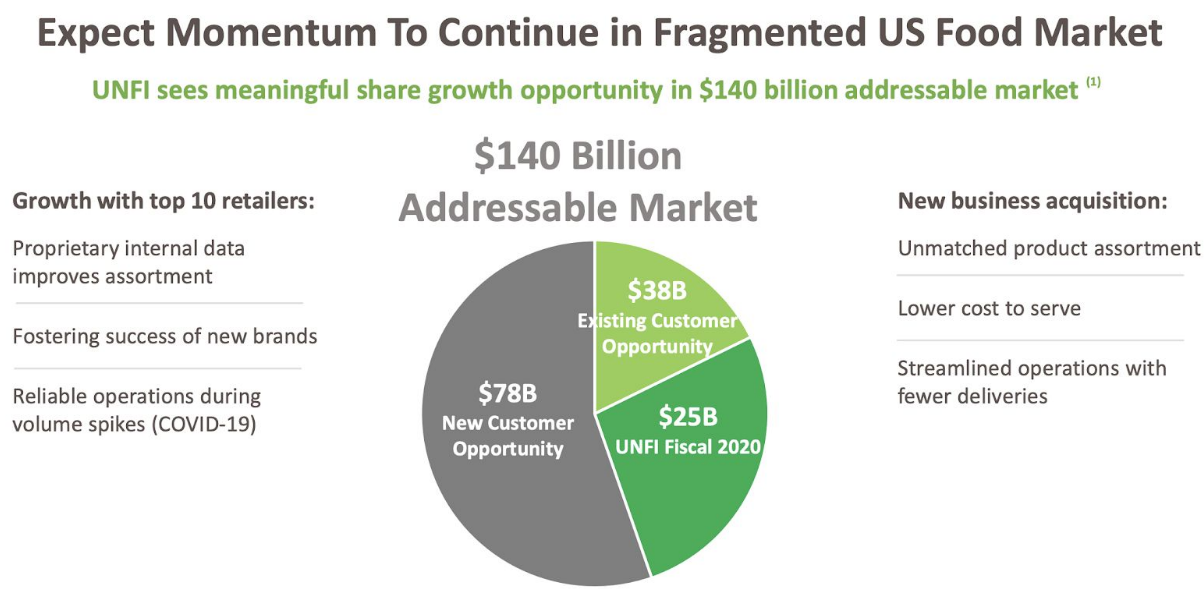
UNFI BETTER FOOD. BETTER FUTURE.

Competitor SpartanNash is a public company and we will need to look at it too

Organic or Natural? What's the difference?

INGREDIENT/PROCESSING	ORGANIC	NATURAL	CONVENTIONAL
Artificial flavors	**NEVER**	No	May be used
Artificial colors	**NEVER**	No	May be used
Artificial preservatives	**NEVER**	No	May be used
Artificial fertilizers	**NEVER**	May be used	May be used
Artificial pesticides	**NEVER**	May be used	May be used
Irradiation	**NEVER**	May be used	May be used
Genetically Engineered Ingredients	**NEVER**	May be used	May be used

If you’re confused like me about what’s natural and what’s conventional, the table above will help



Huge potential with changing consumer habits

HEre’s an interesting Forbes article about the possibility of Amazon buying UNFI (low probability):
https://www.forbes.com/sites/brittainladd/2018/12/30/amazon-is-expanding-whole-foods-will-amazon-acquire-a-grocery-distributor-as-well/?sh=2c1446921565

Amazon has a relationship with several well-known grocery distributors: SpartanNash and United Natural Foods (UNFI). Both distributors have well-earned reputations but I question the long-term value of either to Amazon. It is not beyond the realm of possibility that Amazon could acquire UNFI or SpartanNash but I believe the odds are low.

UNFI has done an admirable job of positioning the company for success. I was a supporter of UNFI's acquisition of SUPERVALU.

SpartanNash, however, must become more bold in its thinking. Frankly, I am concerned by the company's lack of a strategy that I believe will generate the most value as well as position the company for growth. SpartanNash has incredible potential but the company must do more. (Word of advice to the executives at SpartanNash: Think Big. Don't get glossy eyed over one specific customer. Identify your differentiating capabilities and implement a capabilities-based strategy. Own your future.)

Walmart acquired a grocery wholesaler and distributor called McLane to manage its grocery distribution needs when Walmart first began to sell groceries in its stores. Over a period of years, Walmart learned the distribution business from McLane and ended up divesting McLane to Berkshire-Hathaway for $1.5B in 2003. McLane is highly respected for its prowess in grocery distribution and supply chain services. It is possible Amazon will follow a similar strategy.

LEt’s look at the last 10-K

Our Background

As a leading distributor of natural, organic, specialty, produce, and conventional grocery and non-food products, and provider of retailer services in the United States and Canada, we believe we are uniquely positioned to provide the broadest array of products and services to customers throughout North America. We offer more than 275,000 products consisting of national, regional and private label brands grouped into six product categories: grocery and general merchandise; produce; perishables and frozen foods; nutritional supplements and sports nutrition; bulk and food service products; and personal care items. Through our October 2018 acquisition of SUPERVALU INC. ("Supervalu"), we are transforming into North America's premier wholesaler with 55 distribution centers and warehouses representing approximately 29 million square feet of warehouse space. We believe our total product assortment and service offerings are unmatched by our wholesale competitors. We plan to aggressively pursue new business opportunities to independent retailers who operate diverse formats, regional and national chains, as well as international customers with wide-ranging needs. During the fourth quarter of fiscal 2020, we determined we no longer met the held for sale criterion for a probable sale to be completed within 12 months for the Cub Foods business and the majority of the remaining Shoppers locations. We reviewed our reportable segments and determined we were required to report Retail as a separate segment. Our business is classified into two reportable segments: Wholesale and Retail; and also includes a manufacturing division and a branded product line division.

6 product categories:

1. Grocery and general merchandise
2. Produce
3. Perishables and frozen foods
4. Nutritional supplements and sports nutrition
5. Bulk and food service products
6. Personal care items

2 segments:

1. Wholesale
2. Retail

In recent years, our sales to existing and new customers have increased through:

- the acquisition of natural and specialty products distributors and most recently the previously largest publicly traded conventional distributor, Supervalu;
- the continued growth of the natural and organic products industry in general;
- increased market share as a result of our high quality service and broader product selection, including specialty products;
- the expansion of our existing distribution centers;
- the construction of new distribution centers; and
- the introduction of new products and the development of our own line of natural, organic and conventional branded products.

Our Customers

We maintain long-standing relationships with our customers. We serve approximately 30,000 unique customer locations, primarily located across the United States and Canada, which we classify into five customer types:

- *Chains*, which consists of customer accounts that typically have more than 10 operating stores and exclude stores included within the Supernatural and Other channels defined below;
- *Independent retailers*, which include smaller size accounts and include single store and multiple store locations, but are not classified within Chains above or Other discussed below;
- *Supernatural*, which consists of chain accounts that are national in scope and carry primarily natural products, and currently consists solely of Whole Foods Market;
- *Retail*, which includes our Retail segment, including the Cub Foods business and the majority of the remaining Shoppers locations, excluding five Shoppers locations that are held for sale; and
- *Other*, which includes international customers outside of Canada, foodservice, e-commerce, conventional military business and other sales.

Natural	Conventional	Premium	Ethnic	Value
WHOLE FOODS MARKET	Wegmans	THE FRESH MARKET	LOTTE PLAZA market	Shoppers Value Foods
SPROUTS FARMERS MARKET	Kroger	KOWALSKI'S MARKETS	Fiesta Foods	B. GREEN CASH & CARRY
National CO+OP Grocers	Publix	Dierbergs	NORTHGATE MARKET	
	Stop&Shop		**eCom**	**Alternative**
			VITACOST	MILLS FLEET FARM
			jet	

We have been the primary distributor to Whole Foods Market for more than twenty years. Under the terms of our agreement with Whole Foods Market, we serve as the primary distributor to Whole Foods Market in all of its regions in the United States. Our agreement with Whole Foods Market expires on September 28, 2025. Whole Foods Market is our only customer that represented more than 10% of total net sales in fiscal 2020. Our customers include single and multiple store independent grocery store retailers, regional chains, foodservice and the military, many of which are long tenured customers.

The following were included among our wholesale customers for fiscal 2020:

- Whole Foods Market, the largest supernatural chain in the United States and Canada; and
- Cash and Carry Stores, The Fresh Market, Coborn's, Natural Grocers, Jerry's Foods, Vitamin Cottage, Festival Foods, All American Quality Foods, Ahold Delhaize banners (Giant-Carlisle, Stop & Shop, Giant-Landover, and Hannaford), Lunds & Byerlys, Superior Grocers, Vallarta Supermarkets, Wegmans, Raley's, Redner's Markets, Neiman's Family Market, Dierberg's, El Super Supermarkets, Sprouts Farmers Market, Kroger, Harris Teeter, Giant Eagle, Market Basket, Schnucks Shop-Rite, Publix, Raley's and Loblaws.

Our recent business acquisitions include:

- *Supervalu*. On October 22, 2018 (the "Supervalu acquisition date"), we acquired Supervalu for an aggregate purchase price of approximately $2.3 billion, which included the assumption of outstanding debt and liabilities. The acquisition of Supervalu accelerated our "build out the store" strategy, diversified our customer base, enabled cross-selling opportunities, expanded market reach and scale, enhanced technology, capacity and systems, and is expected to continue to deliver significant cost synergies and accelerate potential growth.
- *Haddon House*. In May 2016, we acquired Haddon House Food Products Inc. ("Haddon") and certain affiliated entities and real estate for total cash consideration of approximately $217.5 million. Haddon is a distributor and merchandiser of natural and organic and gourmet ethnic products throughout the eastern United States. Haddon has a diverse, multi-channel customer base including supermarkets, gourmet food stores and independent retailers. Our acquisition of Haddon has expanded our gourmet and ethnic product and service offering which continues to play an important role in our ongoing strategy to build out these product categories. Haddon's operations have been combined with our existing business in the United States.
- *Nor-Cal Produce and Global Organics*. In March 2016, we acquired (i) Nor-Cal Produce, Inc. ("Nor-Cal") and an affiliated entity as well as certain real estate, in a cash transaction for approximately $67.8 million, and, (ii) certain assets of Global Organic/Specialty Source, Inc. and related affiliates (collectively "Global Organic") through our wholly owned subsidiary Albert's Organics, Inc. ("Albert's"), in a cash transaction for approximately $20.6 million. Nor-Cal is a distributor of conventional and organic produce and other fresh products primarily to independent retailers in Northern California, with primary operations located in West Sacramento, California. Global Organic is a distributor of organic fruits, vegetables, juices, milk, eggs, nuts, and coffee located in Sarasota, Florida serving customer locations across the southeastern United States.

Retail

Our Retail stores provide an extensive grocery offering and, depending on size, a variety of additional products, including general merchandise, home, health and beauty care, and pharmacy. We offer national and regional brands as well as our own private label products. Depending on the banner, a typical Retail store carries approximately 17,000 to 21,000 core stock-keeping units ("SKUs") and ranges in size from approximately 50,000 to 70,000 square feet. We believe our Retail banners have strong local and regional brand recognition in the markets in which they operate. Our Retail continuing operations are supplied by our distribution centers, which also supply our Wholesale customers.

Our Retail segment includes 71 Cub Foods and Shoppers retail grocery stores acquired in the Supervalu acquisition. Prior to the fourth quarter of fiscal 2020 and since the Supervalu acquisition, we had presented these stores within discontinued operations. During the fourth quarter of fiscal 2020, we determined we no longer met the held for sale criterion for a probable sale to be completed within 12 months for the Cub Foods business and the majority of the remaining Shoppers locations. As a result, our Consolidated Financial Statements and financial information presented within this Annual Report on Form 10-K reflect the Retail segment operations of Cub Foods and certain Shoppers stores within continuing operations, with prior periods having been revised to conform with the current period presentation.

Throughout this Annual Report on Form 10-K references to Retail exclude previously disposed Shoppers stores, five Shoppers stores that are held for sale, and the Hornbacher's, Shop 'n Save and Shop 'n Save East retail banners, all of which we acquired as a result of the Supervalu acquisition and previously disposed. The results of these businesses continue to be presented as discontinued operations.

It seems they want to focus on wholesale instead of retail, which I believe is a good idea

Our Distribution Systems

The sites for our distribution centers are chosen to provide direct access to our regional markets. This proximity allows us to reduce our transportation costs relative to those of our competitors that seek to service these customers from locations that are often much further away. We believe that we incur lower inbound freight expense than our regional competitors because our scale allows us to buy full and partial truckloads of products. Products are delivered to our distribution centers primarily by our fleet of leased trucks, contract carriers and the suppliers themselves. When financially advantageous, we pick up product from suppliers or satellite staging facilities and return it to our distribution centers using our own trucks. Additionally, we generally can redistribute overstocks and inventory imbalances between our distribution centers if needed, which helps to reduce out-of-stocks and to sell perishable products prior to their expiration date.

The majority of our trucks are leased from a variety of national banks and are maintained by third-party national leasing companies, which in some cases maintain facilities on our premises for the maintenance and service of these vehicles. We also have facilities where we operate our own maintenance shops.

We ship certain orders for supplements or for items that are destined for areas outside of regular delivery routes through independent carriers. Deliveries to areas outside the continental United States and Canada are typically shipped by freight-forwarders through ocean-going containers.

No trucks owned. Could easily switch to EV when needed

Strategic and Operational Risks

We depend heavily on our principal customers and our success is heavily dependent on our principal customers' ability to maintain and grow their business.

Whole Foods Market, a subsidiary of Amazon.com, Inc., accounted for approximately 18% of our net sales in fiscal 2020. We serve as the primary distributor of natural, organic, and specialty non-perishable products, and also distribute certain specialty protein, cheese, deli items, and products from health, beauty, and supplement categories to Whole Foods Market in all of its regions in the United States under the terms of our distribution agreement, which expires on September 28, 2025. Our ability to maintain a close, mutually beneficial relationship with Whole Foods Market is an important element to our continued growth.

- Dependent on Whole Foods

Our high level of debt makes us more sensitive to the effects of economic downturns and could adversely affect our business.

To finance the acquisition of Supervalu, we incurred or assumed significant indebtedness, including indebtedness incurred to refinance Supervalu's and our then existing debt, and as of August 1, 2020, we had approximately $2.50 billion of long-term debt outstanding. Our leverage, and any increase therein, could have important potential consequences, including, but not limited to:

- increasing our vulnerability to, and reducing our flexibility to plan for and respond to, general adverse economic and industry condition and changes in our business and the competitive environment;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, share repurchases, or other corporate purposes;
- increasing our vulnerability to a downgrade of our credit rating, which could adversely affect our cost of funds, liquidity, and access to capital markets;
- restricting us from making desired strategic acquisitions in the future or causing us to make non-strategic divestitures;
- increasing our exposure to the risk of increased interest rates insofar as current and future borrowings are subject to variable rates of interest;
- making it more difficult for us to repay, refinance, or satisfy our obligations with respect to our debt;
- limiting our ability to borrow additional funds in the future and increasing the cost of any such borrowing;
- placing us at a competitive disadvantage compared to competitors with less leverage or better access to capital resources; and
- imposing restrictive covenants on our operations, which, if not complied with, could result in an event of default, which in turn, if not cured or waived, could result in the acceleration of the applicable debt, and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies.

	Fiscal Year				
Consolidated Statements of Operations Data:	**2020 (52 weeks)**	**2019 (53 weeks)**	**2018 (52 weeks)**	**2017 (52 weeks)[1]**	**2016 (52 weeks)[1]**
	(In thousands, except per share data)				
Net sales	$ 26,514,267	$ 22,307,456	$ 10,226,683	$ 9,274,471	$ 8,470,286
Cost of sales	22,639,475	19,098,850	8,706,669	7,847,983	7,195,112
Gross profit	3,874,792	3,208,606	1,520,014	1,426,488	1,275,174
Operating expenses	3,541,487	2,967,912	1,274,562	1,196,032	1,049,690
Goodwill and asset impairment charges	425,405	292,770	11,242	—	1,012
Restructuring, acquisition and integration related expenses	86,383	148,195	9,738	6,864	4,540
Loss (gain) on sale of assets	17,132	(499)	—	—	—
Operating (loss) income	(195,615)	(199,772)	224,472	223,592	219,932
Other expense (income):					
Net periodic benefit income, excluding service cost	(39,177)	(35,041)	—	—	—
Interest expense, net	191,607	180,789	16,025	16,754	15,144
Other, net	(3,591)	(1,063)	(1,545)	(5,152)	743
Total other expense, net	148,839	144,685	14,480	11,602	15,887
(Loss) income from continuing operations before income taxes	(344,454)	(344,457)	209,992	211,990	204,045
(Benefit) provision for income taxes	(90,445)	(58,936)	47,215	83,303	80,807
Net (loss) income from continuing operations	$ (254,009)	$ (285,521)	$ 162,777	$ 128,687	$ 123,238
Net (loss) income from continuing operations per common share—Basic	$ (4.81)	$ (5.57)	$ 3.22	$ 2.54	$ 2.45
Net (loss) income from continuing operations per common share—Diluted	$ (4.81)	$ (5.57)	$ 3.20	$ 2.53	$ 2.45

Losing money in the last 2 years but most of these costs are goodwill and asset impairments

Consolidated Balance Sheets Data:	As of the Fiscal Year Ended August 1, 2020	August 3, 2019	July 28, 2018	July 29, 2017[1]	July 30, 2016[1]
Working capital	$ 1,334,843	$ 1,449,984	$ 1,080,327	$ 952,073	$ 987,291
Total assets	$ 7,586,972	$ 7,174,335	$ 2,957,583	$ 2,882,567	$ 2,849,627
Total long-term debt and finance leases, excluding current portion	$ 2,570,297	$ 2,927,258	$ 340,323	$ 366,089	$ 580,872
Total stockholders' equity	$ 1,142,258	$ 1,504,305	$ 1,839,066	$ 1,677,925	$ 1,516,979

Goodwill Impairment Review

During the first quarter of fiscal 2020, we changed our management structure and internal financial reporting, which resulted in the requirement to combine the Supervalu Wholesale reporting unit and the legacy Company Wholesale reporting unit into one U.S. Wholesale reporting unit, and experienced a further sustained decline in market capitalization and enterprise value. As a result of the change in reporting units and the sustained decline in market capitalization and enterprise value, we performed an interim quantitative impairment review of goodwill for the Wholesale reporting unit, which included a determination of the fair value of all reporting units. Based on this analysis, we determined that the carrying value of our U.S. Wholesale reporting unit exceeded its fair value by an amount that exceeded its assigned goodwill. As a result, we recorded a goodwill impairment charge of $421.5 million in the first quarter of fiscal 2020. The goodwill impairment charge is reflected in Goodwill and asset impairment charges in the Consolidated Statements of Operations. The goodwill impairment charge reflects the impairment of all of the U.S. Wholesale's reporting unit goodwill.

Quantitatively, the goodwill impairment was driven by the incorporation of the value associated with the legacy Supervalu wholesale reporting unit that was combined into the legacy Company Wholesale goodwill reporting unit and a decrease in estimated long-range cash flows prepared as part of the quantitative assessment. The goodwill impairment review indicated that the estimated fair value of the Canada Wholesale reporting unit, which had goodwill of $9.9 million as of November 2, 2019, exceeded its carrying values by approximately 13%. Other continuing operations reporting units, which had goodwill of $9.9 million as of November 2, 2019, were substantially in excess of their carrying value. If circumstances indicate that the value of one of these other reporting units has decreased, we may be required to perform additional reviews of goodwill and incur additional impairment charges. The first quarter of fiscal 2020 quantitative goodwill impairment review included a reconciliation of all of the reporting units' fair value to our market capitalization and enterprise value. Refer Note 7—Goodwill and Intangible Assets in Part II, Item 8 of this Annual Report on Form 10-K for additional information regarding our goodwill impairment charges.

Goodwill and Asset Impairment Charges

During fiscal 2020 we recorded $425.4 million of goodwill and asset impairment charges, which reflects $421.5 million from an impairment charge on the remaining goodwill attributable to the U.S. Wholesale reporting unit, $2.5 million related to purchase accounting adjustments to finalize the opening balance sheet goodwill and $1.4 million of other asset impairment charges. Refer to the section above Executive Overview—Goodwill Impairment Review and Note 7—Goodwill and Intangible Assets in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

During fiscal 2019 we recorded a $292.8 million goodwill impairment charge, which reflects the preliminary goodwill impairment based on the preliminary fair value of net assets assigned, which was finalized in the first quarter of fiscal 2020. The goodwill impairment charge recorded in fiscal 2019 was subject to further change based upon the final purchase price allocation during the measurement period for estimated fair values of assets acquired and liabilities assumed from the Supervalu acquisition. The estimates and assumptions were subject to change during the measurement period (up to one year from the acquisition date).

Divestiture of Retail Operations

We have announced our intention to thoughtfully and economically divest our retail businesses acquired as part of the Supervalu acquisition in an efficient and economic manner in order to focus on our core wholesale distribution business. During the fourth quarter of fiscal 2020, we determined we no longer met the held for sale criterion for a probable sale to be completed within 12 months for the Cub Foods business and the majority of the remaining Shoppers locations, collectively referred to as the Retail segment. The Retail segment excludes retail banners and stores previously sold or closed. We reviewed our reportable segments and determined we were required to report Retail as a separate segment. As a result, we revised our Consolidated Financial Statements to reclassify Retail from discontinued operations to continuing operations. This change in financial statement presentation resulted in the inclusion of Retail's results of operations, financial position, cash flows and related disclosures within continuing operations. Prior periods presented in the Consolidated Financial Statements have been conformed to the current period presentation, resulting in Retail being presented in continuing operations for all periods.

(in thousands)	**2020 (52 weeks)**	**2019 (53 weeks)**	**2018 (52 weeks)**	**2020 Change**	**2019 Change**
Net sales	$26,514,267	$22,307,456	$10,226,683	$ 4,206,811	$12,080,773
Cost of sales	22,639,475	19,098,850	8,706,669	3,540,625	10,392,181
Gross profit	3,874,792	3,208,606	1,520,014	666,186	1,688,592
Operating expenses	3,541,487	2,967,912	1,274,562	573,575	1,693,350
Goodwill and asset impairment charges	425,405	292,770	11,242	132,635	281,528
Restructuring, acquisition and integration related expenses	86,383	148,195	9,738	(61,812)	138,457
Loss (gain) on sale of assets	17,132	(499)	—	17,631	(499)
Operating (loss) income	(195,615)	(199,772)	224,472	4,157	(424,244)
Other expense (income):					
Net periodic benefit income, excluding service cost	(39,177)	(35,041)	—	(4,136)	(35,041)
Interest expense, net	191,607	180,789	16,025	10,818	164,764
Other, net	(3,591)	(1,063)	(1,545)	(2,528)	482
Total other expense, net	148,839	144,685	14,480	4,154	130,205
(Loss) income from continuing operations before income taxes	(344,454)	(344,457)	209,992	3	(554,449)
(Benefit) provision for income taxes	(90,445)	(58,936)	47,215	(31,509)	(106,151)
Net (loss) income from continuing operations	(254,009)	(285,521)	162,777	31,512	(448,298)
(Loss) income from discontinued operations, net of tax	(15,202)	898	—	(16,100)	898
Net (loss) income including noncontrolling interests	(269,211)	(284,623)	162,777	15,412	(447,400)
Less net income attributable to noncontrolling interests	(4,929)	(107)	—	(4,822)	(107)
Net (loss) income attributable to United Natural Foods, Inc.	$ (274,140)	$ (284,730)	$ 162,777	$ 10,590	$ (447,507)
Adjusted EBITDA	$ 672,922	$ 562,855	$ 358,866	$ 110,067	$ 203,989

Adjusted EBITDA is growing

(in thousands)	2020 (52 weeks)	2019 (53 weeks)	2018 (52 weeks)
Net (loss) income from continuing operations	$ (254,009)	$ (285,521)	$ 162,777
Adjustments to continuing operations net income (loss):			
Less net income attributable to noncontrolling interests	(4,929)	(107)	—
Total other expense, net	148,839	144,685	14,480
(Benefit) provision for income taxes[(1)]	(90,445)	(58,936)	47,215
Depreciation and amortization	281,535	247,746	87,631
Share-based compensation	33,689	40,495	25,783
Goodwill and asset impairment charges[(2)]	425,405	292,770	11,242
Restructuring, acquisition, and integration related expenses[(3)]	86,383	148,195	9,738
Loss (gain) on sale of assets[(4)]	17,132	(499)	—
Notes receivable charges[(5)]	12,516	—	—
Inventory fair value adjustment[(6)]	—	10,463	—
Legal reserve charge, net of settlement income[(7)]	1,196	(1,390)	—
Other retail expense[(8)]	1,750	—	
Adjusted EBITDA of continuing operations	659,062	537,901	358,866
Adjusted EBITDA of discontinued operations[(9)]	13,860	24,954	—
Adjusted EBITDA	$ 672,922	$ 562,855	$ 358,866

Customer Channel	2020 (52 weeks)	% of Total Net Sales	2019[(1)] (53 weeks)	% of Total Net Sales	Increase (Decrease) $	Increase (Decrease) % of Total Net Sales
Chains[(1)]	$ 10,663	40%	$ 8,812	39%	$ 1,851	1 %
Independent retailers[(1)]	6,699	25%	5,536	25%	1,163	— %
Supernatural	4,720	18%	4,394	20%	326	(2)%
Retail	2,331	9%	1,653	7%	678	2 %
Other[(1)]	2,101	8%	1,912	9%	189	(1)%
Total net sales	$ 26,514	100%	$ 22,307	100%	$ 4,207	— %

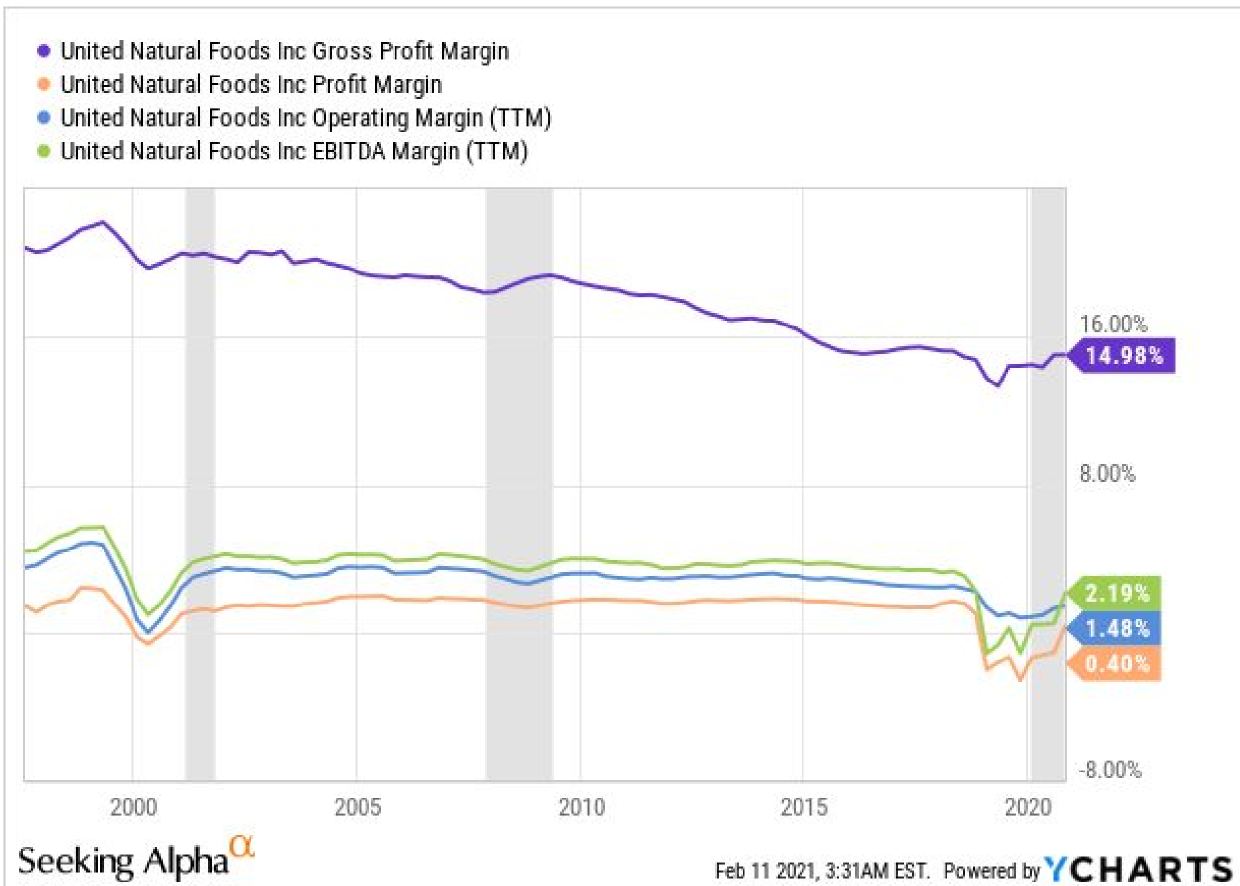
Total Other Expense, Net

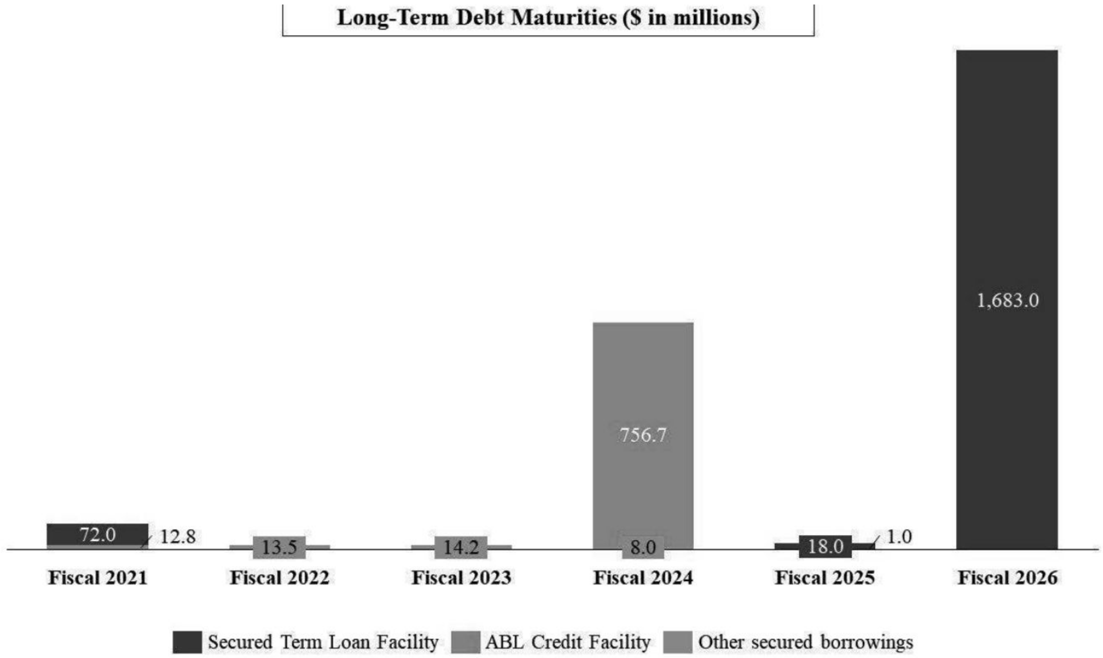
(in thousands)	2020 (52 weeks)	2019 (53 weeks)	Increase (Decrease)
Net periodic benefit income, excluding service cost	$ (39,177)	$ (35,041)	$ (4,136)
Interest expense on long-term debt, net of capitalized interest	166,402	146,762	19,640
Interest expense on finance and direct financing lease obligations	11,944	15,730	(3,786)
Amortization of financing costs and discounts	15,383	13,394	1,989
Debt refinancing costs and unamortized financing charges	74	4,903	(4,829)
Interest income	(2,196)	—	(2,196)
Interest expense, net	191,607	180,789	10,818
Other, net	(3,591)	(1,063)	(2,528)
Total other expense, net	$ 148,839	$ 144,685	$ 4,154

- Big interest expense

(in thousands)	2020 (52 weeks)	2019 (53 weeks)	2018 (52 weeks)	Increase / (Decrease) 2020	Increase / (Decrease) 2019
Net sales:					
Wholesale	$ 25,496,597	$ 21,530,183	$ 10,169,840	$ 3,966,414	$ 11,360,343
Retail	2,330,694	1,653,596	—	677,098	1,653,596
Other	227,984	234,838	228,465	(6,854)	6,373
Eliminations	(1,541,008)	(1,111,161)	(171,622)	(429,847)	(939,539)
Total Net sales	$ 26,514,267	$ 22,307,456	$ 10,226,683	$ 4,206,811	$ 12,080,773
Continuing operations Adjusted EBITDA:					
Wholesale	$ 591,028	$ 462,996	$ 343,104	$ 128,032	$ 119,892
Retail	86,401	34,149	—	52,252	34,149
Other	(15,903)	41,918	12,337	(57,821)	29,581
Eliminations	(2,464)	(1,162)	3,425	(1,302)	(4,587)
Total continuing operations Adjusted EBITDA	$ 659,062	$ 537,901	$ 358,866	$ 121,161	$ 179,035

2.3% EBITDA margin on wholesale vs 3.7% on retail





(in millions)	Total	Fiscal 2021	Fiscal 2022-2023	Fiscal 2024-2025	Thereafter
	Payments Due Per Period				
Contractual obligations[1][2]:					
Long-term debt[3]	$ 2,579	$ 85	$ 28	$ 783	$ 1,683
Interest on long-term debt[4]	578	137	237	186	18
Operating leases[5]	1,554	178	324	228	824
Finance leases[6]	175	21	129	20	5
Purchase obligations[7]	181	136	39	4	2
Self-insurance liabilities[8]	114	37	41	19	17
Multiemployer plan withdrawal liabilities	84	2	5	7	70
Total contractual obligations	$ 5,265	$ 596	$ 803	$ 1,247	$ 2,619

	August 1, 2020		Expected Fiscal Year of Maturity					
	Fair Value	Total	2021	2022	2023	2024	2025	Thereafter
			(in millions, except interest rates)					
Long-term Debt:								
Variable rate—principal payments	$ 2,485	$ 2,530	$ 72	$ —	$ —	$ 757	$ 18	$ 1,683
Weighted average interest rate[1]		*3.6%*	*4.4%*	*—%*	*—%*	*1.6%*	*4.4%*	*4.4%*
Fixed rate—principal payments	$ 51	$ 49	$ 13	$ 13	$ 14	$ 8	$ 1	$ —
Weighted average interest rate		*5.2%*	*5.3%*	*5.3%*	*5.3%*	*4.8%*	*4.4%*	—
Interest Rate Swaps[2]:								
Notional amounts hedged under pay fixed, receive variable swaps	$ (139)	$ 2,443	$ 360	$ 360	$ 823	$ 450	$ 250	$ 200
Weighted average pay rate		*2.5%*	*2.3%*	*2.4%*	*1.7%*	*2.2%*	*2.6%*	*2.9%*
Weighted average receive rate		*0.1%*	*0.1%*	*0.1%*	*0.1%*	*0.1%*	*0.1%*	*0.2%*
Notes receivable:								
Principal receivable	$ 79	$ 78	$ 50	$ 6	$ 6	$ 3	$ 2	$ 11
Weighted average receivable rate		*5.8%*	*6.1%*	*5.8%*	*5.6%*	*6.3%*	*6.7%*	*4.6%*

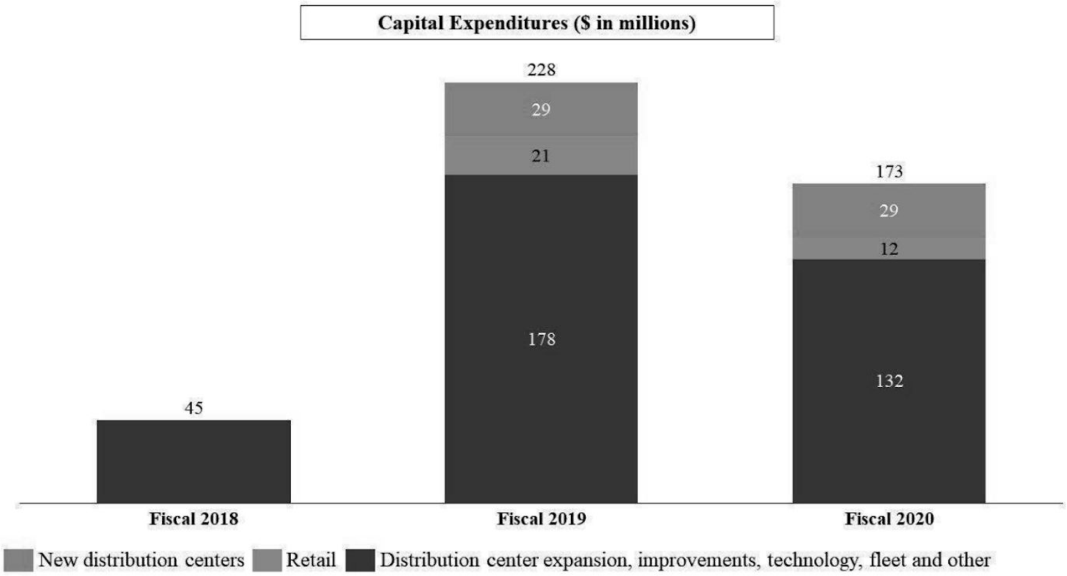
NOTE 10—LONG-TERM DEBT

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

(in thousands)	Average Interest Rate at August 1, 2020	Fiscal Maturity Year	August 1, 2020	August 3, 2019
Term Loan Facility	4.41%	2026	$ 1,773,000	$ 1,864,900
ABL Credit Facility	1.58%	2024	756,712	1,080,000
Other secured loans	5.19%	2024-2025	49,268	57,649
Debt issuance costs, net			(45,846)	(54,891)
Original issue discount on debt			(35,508)	(41,175)
Long-term debt, including current portion			2,497,626	2,906,483
Less: current portion of long-term debt			(70,632)	(87,433)
Long-term debt			$ 2,426,994	$ 2,819,050

It seems we have a big problem in 2026

The following chart outlines our capital expenditures by type over the last three fiscal years.



The following summarizes our Consolidated Statements of Cash Flows:

(in thousands)	2020 (52 weeks)	2019 (53 weeks)	2018 (52 weeks)	2020 Change	2019 Change
Net cash provided by operating activities of continuing operations	$ 452,365	$ 288,986	$ 109,038	$ 163,379	$ 179,948
Net cash used in investing activities of continuing operations	(27,684)	(2,340,830)	(47,005)	2,313,146	(2,293,825)
Net cash (used in) provided by financing activities	(453,071)	1,996,352	(53,557)	(2,449,423)	2,049,909
Net cash flows from discontinued operations	30,389	77,587	—	(47,198)	77,587
Effect of exchange rate on cash	(154)	(143)	(575)	(11)	432
Net increase in cash and cash equivalents	1,845	21,952	7,901	(20,107)	14,051
Cash and cash equivalents, at beginning of period	45,267	23,315	15,414	21,952	7,901
Cash and cash equivalents at end of period, including discontinued operations	$ 47,112	$ 45,267	$ 23,315	$ 1,845	$ 21,952

	August 1, 2020	August 3, 2019
ASSETS		
Cash and cash equivalents	$ 46,993	$ 44,468
Accounts receivable, net	1,120,199	1,067,012
Inventories	2,280,767	2,190,681
Prepaid expenses and other current assets	251,891	235,774
Current assets of discontinued operations	5,067	20,994
Total current assets	3,704,917	3,558,929
Property and equipment, net	1,701,216	1,896,164
Operating lease assets	982,808	—
Goodwill	19,607	442,256
Intangible assets, net	969,600	1,089,846
Deferred income taxes	107,624	34,262
Other assets	97,285	107,921
Long-term assets of discontinued operations	3,915	44,957
Total assets	$ 7,586,972	$ 7,174,335

LIABILITIES AND STOCKHOLDERS' EQUITY				
Accounts payable	$	1,633,448	$	1,532,310
Accrued expenses and other current liabilities		281,956		260,531
Accrued compensation and benefits		228,832		188,484
Current portion of operating lease liabilities		131,022		—
Current portion of long-term debt and finance lease liabilities		83,378		112,103
Current liabilities of discontinued operations		11,438		15,517
Total current liabilities		2,370,074		2,108,945
Long-term debt		2,426,994		2,819,050
Long-term operating lease liabilities		873,990		—
Long-term finance lease liabilities		143,303		108,208
Pension and other postretirement benefit obligations		292,128		237,266
Deferred income taxes		—		1,042
Other long-term liabilities		336,487		394,749
Long-term liabilities of discontinued operations		1,738		770
Total liabilities		6,444,714		5,670,030
Commitments and contingencies				
Stockholders equity:				
Preferred stock, $0.01 par value, authorized 5,000 shares; none issued or outstanding		—		—
Common stock, $0.01 par value, authorized 100,000 shares; 55,306 shares issued and 54,691 shares outstanding at August 1, 2020; 53,501 shares issued and 52,886 shares outstanding at August 3, 2019		553		535
Additional paid-in capital		568,736		530,801
Treasury stock at cost		(24,231)		(24,231)
Accumulated other comprehensive loss		(237,946)		(108,953)
Retained earnings		837,633		1,108,890
Total United Natural Foods, Inc. stockholders' equity		1,144,745		1,507,042
Noncontrolling interests		(2,487)		(2,737)
Total stockholders' equity		1,142,258		1,504,305
Total liabilities and stockholders' equity	$	7,586,972	$	7,174,335

LIABILITIES AND STOCKHOLDERS' EQUITY				
Accounts payable	$	1,633,448	$	1,532,310
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Total stockholders' equity		1,142,258		1,504,305
Total liabilities and stockholders' equity	$	7,586,972	$	7,174,335

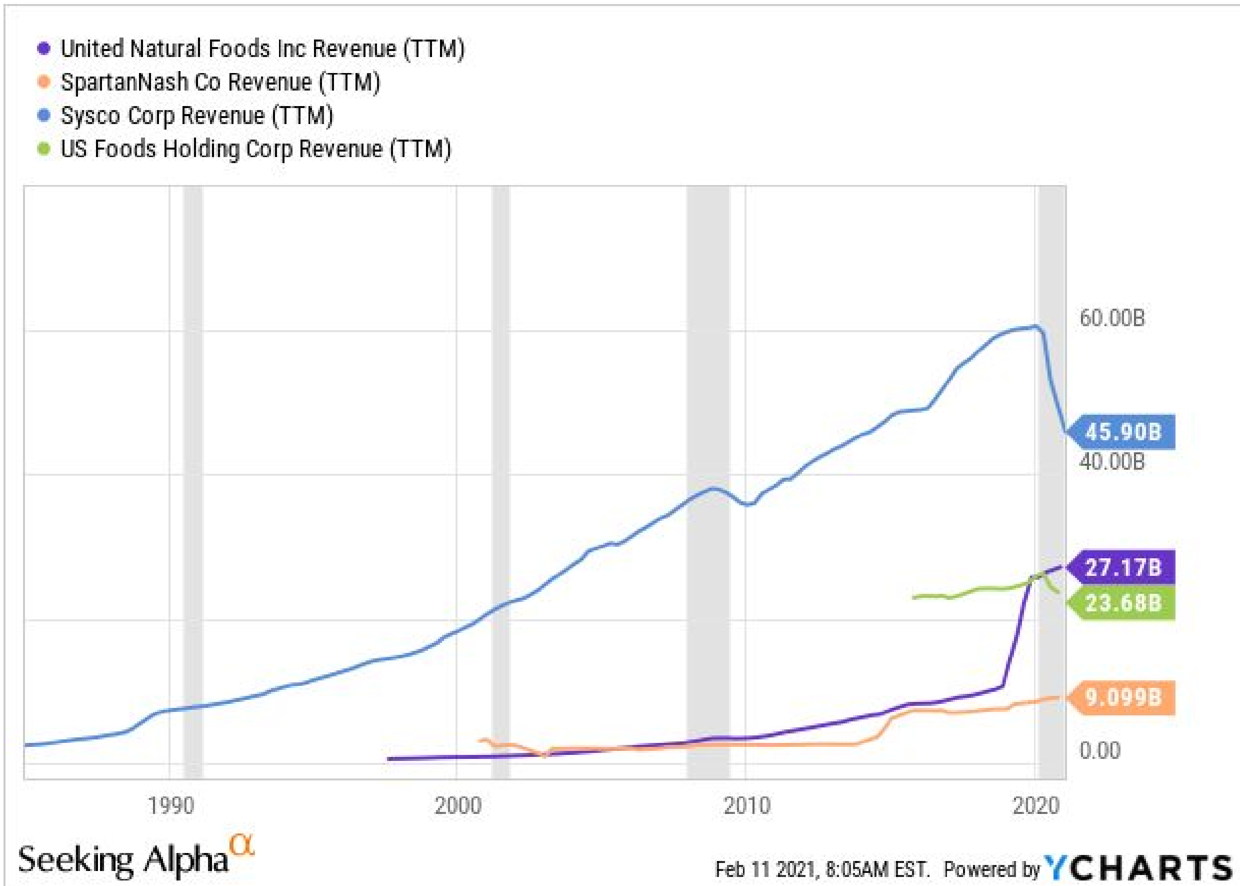
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(172,568)	(228,477)	(44,608)
Purchases of acquired businesses, net of cash acquired	—	(2,292,435)	(39)
Proceeds from dispositions of assets	147,382	180,362	1,039
Other	(2,498)	(280)	(3,397)
Net cash used in investing activities of continuing operations	(27,684)	(2,340,830)	(47,005)
Net cash provided by investing activities of discontinued operations	26,218	82,043	—
Net cash used in investing activities	(1,466)	(2,258,787)	(47,005)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings of long-term debt	2,050	1,926,642	—
Proceeds from borrowings under revolving credit line	4,278,202	3,971,504	556,061
Proceeds from issuance of other loans	6,266	22,358	—
Repayments of borrowings under revolving credit line	(4,601,490)	(3,101,679)	(569,671)
Repayments of long-term debt and finance leases	(122,302)	(779,909)	(12,128)
Repayments of other loans	(24,408)	—	—
Repurchase of common stock	—	—	(24,231)
Proceeds from the issuance of common stock and exercise of stock options	14,276	23,975	975
Payment of employee restricted stock tax withholdings	(1,023)	(2,727)	(4,563)
Payments for debt issuance costs	—	(62,600)	—
Distributions to noncontrolling interests	(4,642)	(1,212)	—
Net cash (used in) provided by financing activities	(453,071)	1,996,352	(53,557)
EFFECT OF EXCHANGE RATE ON CASH	(154)	(143)	(575)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,845	21,952	7,901
Cash and cash equivalents, at beginning of period	45,267	23,315	15,414
Cash and cash equivalents, at end of period	47,112	45,267	23,315
Less: cash and cash equivalents of discontinued operations	(119)	(799)	—
Cash and cash equivalents	$ 46,993	$ 44,468	$ 23,315

Let’s just have a glance at competitor SpartanNash

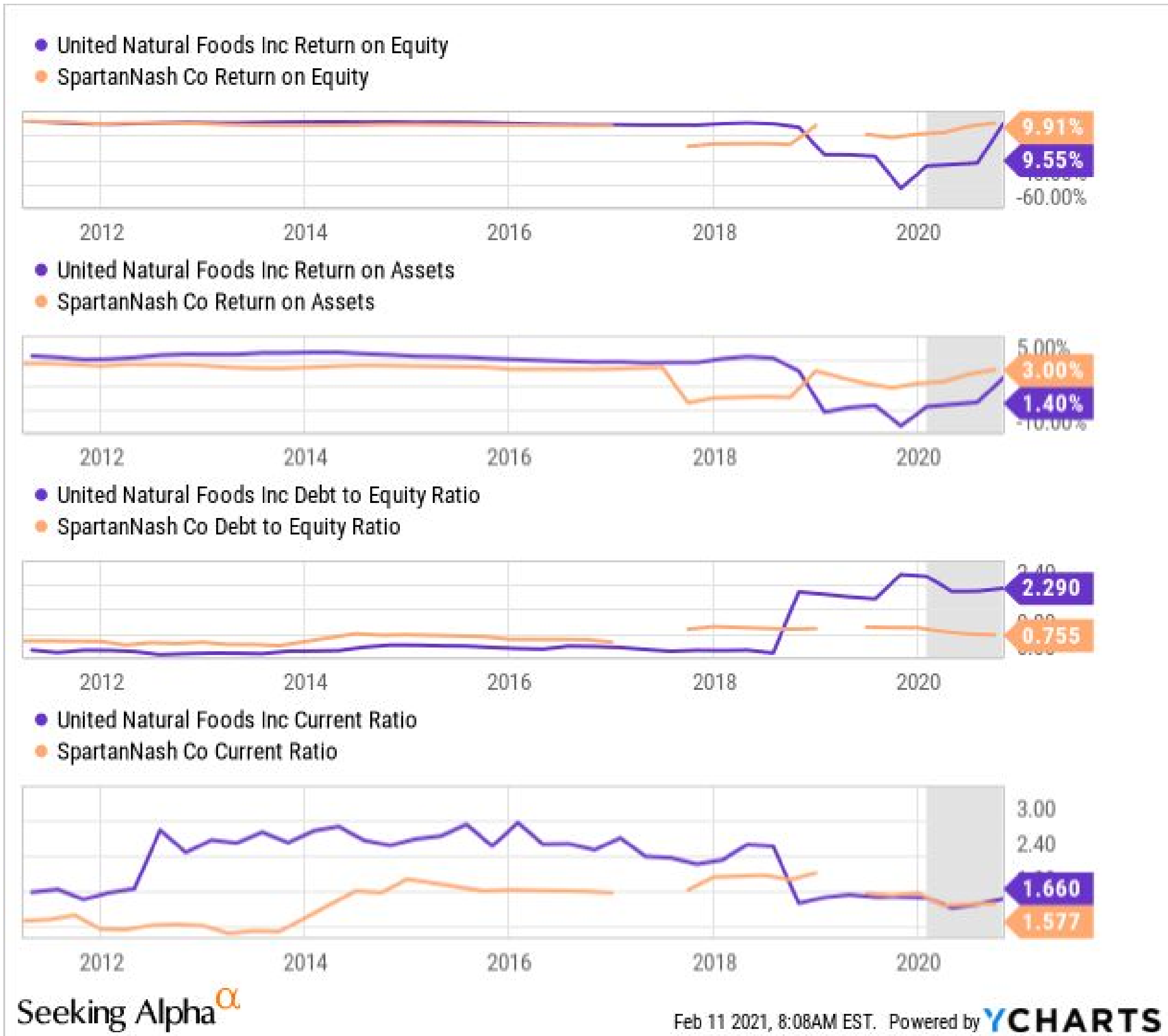
It is smaller and as we saw above, it serves mostly conventional. They also have less storage facilities, 8.2 m sq ft in 19 locations vs 28.8 m sq ft in about 60 locations for UNFI.

SpartanNash also serves the military.

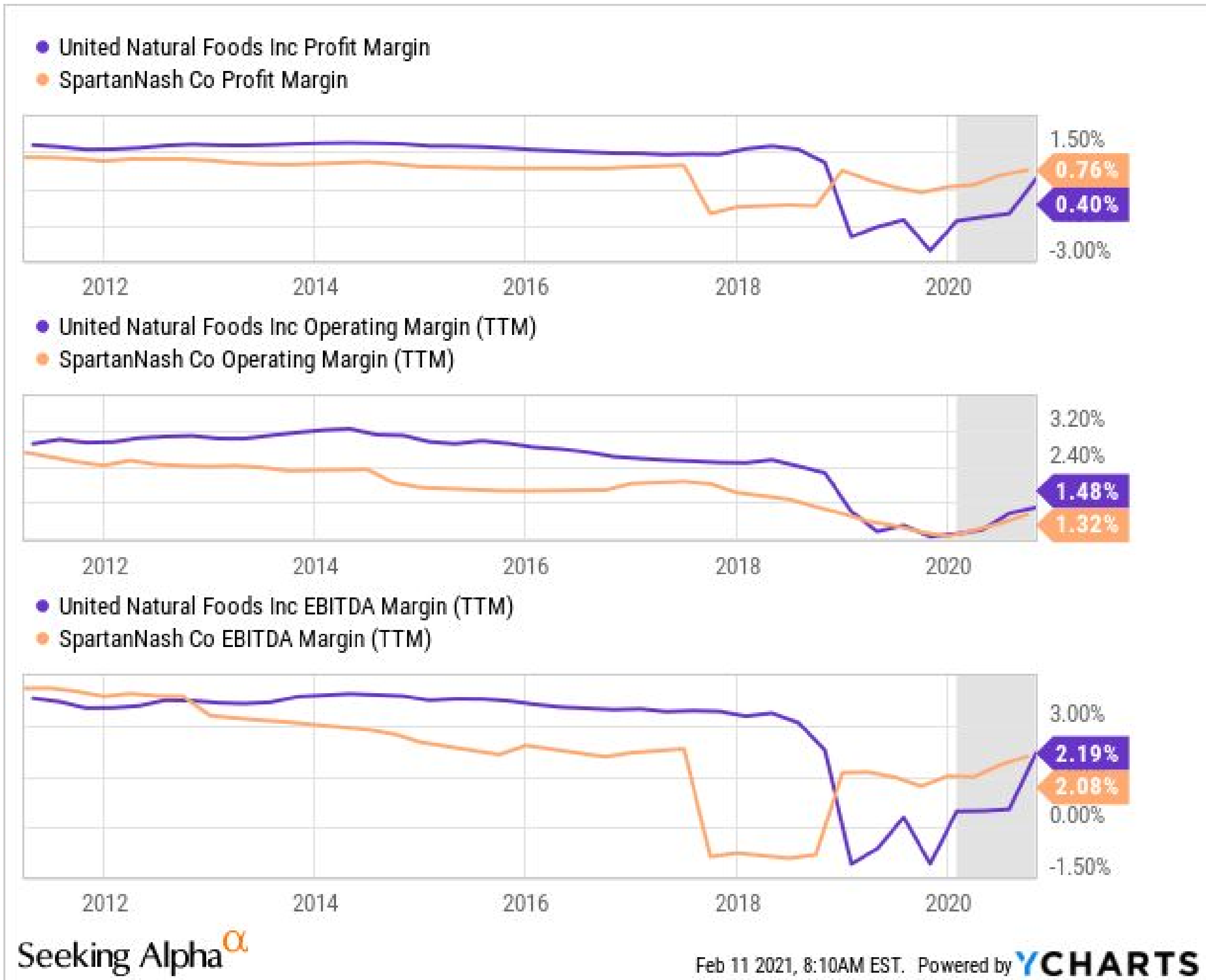
Changing consumer habits will favor UNFI.



USFD and SYY serve mainly smaller locations such as restaurants and schools and are not really competitors.



UNFI does have a debt problem


United Natural Foods Inc Profit Margin
SpartanNash Co Profit Margin
1.50%
0.76%
0.40%
-3.00%
2012
2014
2016
2018
2020
United Natural Foods Inc Operating Margin (TTM)
SpartanNash Co Operating Margin (TTM)
3.20%
2.40%
1.48%
1.32%
2012
2014
2016
2018
2020
United Natural Foods Inc EBITDA Margin (TTM)
SpartanNash Co EBITDA Margin (TTM)
3.00%
2.19%
2.08%
0.00%
-1.50%
2012
2014
2016
2018
2020
Seeking Alpha
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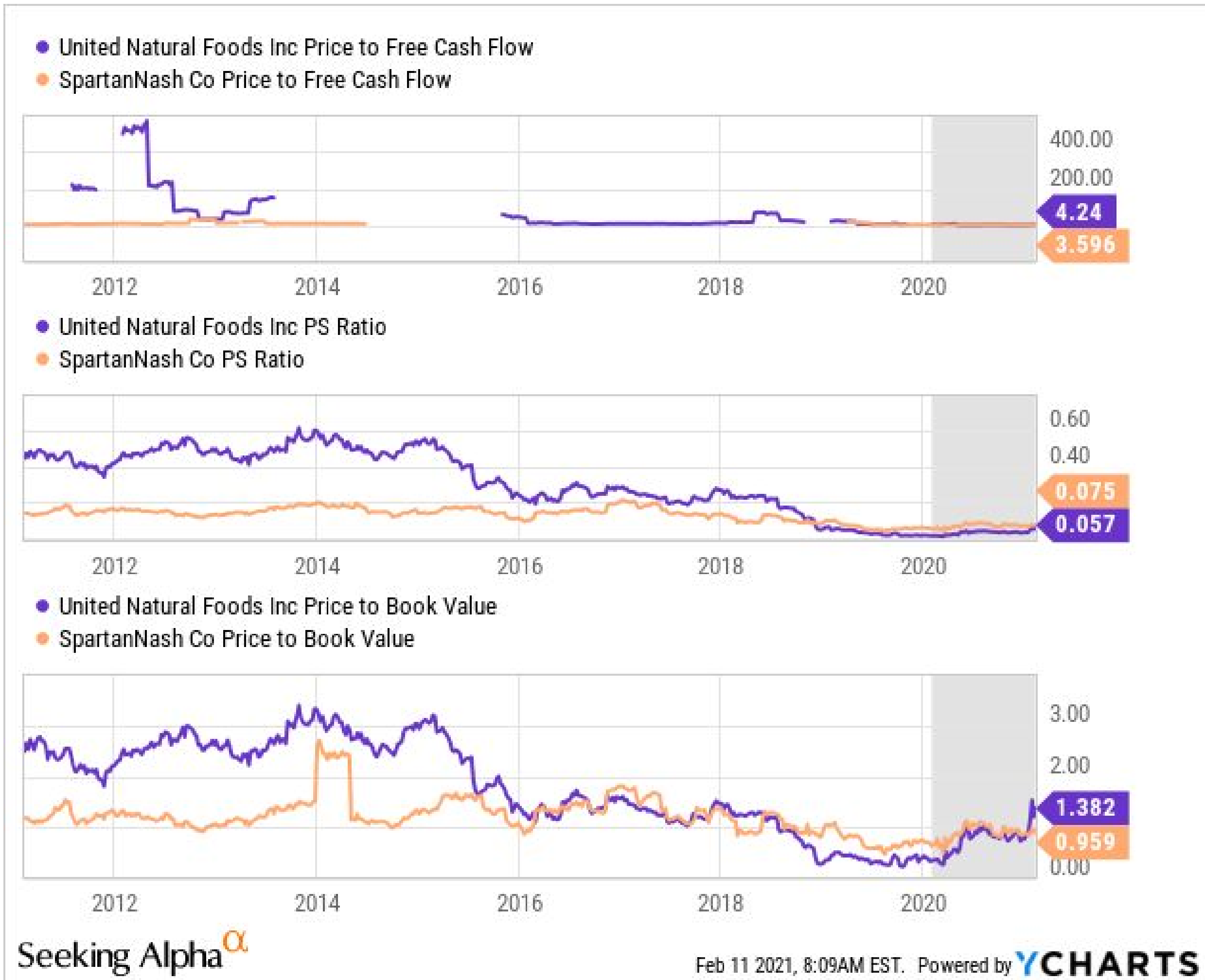

Both stocks are cheap and SpartanNash might look a little cheaper for now but if we're looking for future growth, then I believe that UNFI has more potential

We will need to use Owner's earnings in this calculation because of all the non-cash expenses and the debt

	2015	2016	2017	2018	2019	2020	TTM
Revenues	$ 8,185	$ 8,470	$ 9,274	$ 10,227	$ 22,307	$ 26,514	$ 27,167
Net Income	$ 139	$ 126	$ 130	$ 163	$ (286)	$ (254)	$ 132
Depreciation	$ 64	$ 71	$ 86	$ 88	$ 248	$ 282	$ 284
Capex	$ (129)	$ (41)	$ (56)	$ (45)	$ (228)	$ (173)	$ (169)
Goodwill impairment	$ -	$ -	$ -	$ 11	$ 293	$ 425	$ -
Owner's Earnings	$ 74	$ 156	$ 160	$ 217	$ 73	$ 382	$ 351
FCF	$ (80)	$ 255	$ 217	$ 64	$ 56	$ 284	$ 365
Divestitures	$ -	$ 8	$ 3	$ (7)	$ 46	$ 102	$ 104
net issuance of debt	$ 93	$ 58	$ (215)	$ (26)	$ 2,039	$ (462)	$ (502)
Interest Expense	$ (14)	$ (15)	$ (17)	$ (16)	$ (181)	$ (192)	$ (211)

For 2019 and 2020, we will add the Divestitures in calculations of owner's earnings as they offset the interest expenses

We will do the same for 2021 and 2022 with $100 million in divestitures for each

Revenue growth of 10% annually with profit margins of 1.5% (except 2022 where there are some more synergy costs)

Depreciation costs of about $300 million per year

$200 million for capex

As of 2022, thye take 25% of FCF to repay debt

	2015	2016	2017	2018	2019	2020	TTM	2021	2022	2023	2024	2025	2026
Revenues	$ 8,185	$8,470	$ 9,274	$ 10,227	$ 22,307	$ 26,514	$ 27,167	$ 27,400	$30,140	$ 33,154	$ 36,469	$ 40,116	$ 44,128
Net Income	$ 139	$ 126	$ 130	$ 163	$ (286)	$ (254)	$ 132	$ 184	$ 300	$ 497	$ 547	$ 602	$ 662
Depreciation	$ 64	$ 71	$ 86	$ 88	$ 248	$ 282	$ 284	$ 300	$ 300	$ 300	$ 300	$ 300	$ 300
Capex	$ (129)	$ (41)	$ (56)	$ (45)	$ (228)	$ (173)	$ (169)	$ (200)	$ (200)	$ (200)	$ (200)	$ (200)	$ (200)
Goodwill impairment	$ -	$ -	$ -	$ 11	$ 293	$ 425	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Owner's Earnings	$ 74	$ 156	$ 160	$ 217	$ 73	$ 382	$ 351	$ 384	$ 500	$ 597	$ 647	$ 702	$ 762
FCF	$ (80)	$ 255	$ 217	$ 64	$ 56	$ 284	$ 365	$ 284	$ 400	$ 597	$ 647	$ 702	$ 762
Divestitures	$ -	$ 8	$ 3	$ (7)	$ 46	$ 102	$ 104	$ 100	$ 100	$ -	$ -	$ -	$ -
Net Issuance of Debt	$ 93	$ 58	$ (215)	$ (26)	$ 2,039	$ (462)	$ (502)	$ (384)	$ (500)	$ (597)	$ (647)	$ (333)	$ (160)
Interest Expense	$ (14)	$ (15)	$ (17)	$ (16)	$ (181)	$ (192)	$ (211)	$ 137	$ 118	$ 118	$ 93	$ 100	$ 18
Debt Due (as of 2020)								$ 72	$ 14	$ 14	$ 757	$ 18	$ 1,683
Total Debt	$ 536	$ 588	$ 373	$ 309	$ 2,819	$ 2,427	$ 2,621	$ 2,237	$ 1,737	$ 1,140	$ 493	$ 160	$ -

We looked at an extreme case scenario where the company uses all FCF to repay debt, it can repay all the debt by 2025. Of course, this won't happen in real life. The 2026 may look bug but if the company can make the sales of their retail business and generate FCF, paying off this debt looks easier.

What is the intrinsic value of the company

Let's discount the owner;s earnings for the till 2026 at 18% with terminal growth rate of 2%

	Owner's Earnings	Discounted OE
TTM	$ 351	
2021	$ 384	$ 384
2022	$ 500	$ 424
2023	$ 597	$ 429
2024	$ 647	$ 394
2025	$ 702	$ 362
2026	$ 762	$ 333
Terminal Value		$ 2,081
Intrinsic Value		**$ 4,407**
Per Share		**$79**

Even with a 50% margin of safety, the stock is cheap

LEt's look at exit multiples

We will use multiples of FCF in 2026

Let's assume in the bear case, they lose their Whole Food clients (loss of 15% in revenues), let's assume worst case scenario, 30% less in revenues and consequently OE

Bull case, 10% more in OE

Assume shares outstanding grow from 56 million to 70 million

		P/FCF Exit Multiples				
2026 OE/share		X1	X3	X5	X10	X15
Bear	**$ 7.62**	$ 7.62	$ 22.86	$ 38.10	$ 76.20	$ 114.30
Base	**$ 10.88**	$ 10.88	$ 32.64	$ 54.40	$ 108.80	$ 163.20
Bull	**$ 11.97**	$ 11.97	$ 35.91	$ 59.85	$ 119.70	$ 179.55
Returns		-74%	13%	88%	275%	519%
CAGR		-23.5%	2.4%	13.4%	30.3%	44.0%
Probability		10%	20%	40%	20%	10%
Expectation	**14%**	-2%	0%	5%	6%	4%