BROKER OPINION REPORT

Stanley Wyrwicz discusses, "Is the Time Right for Rite Aids"

WHAT'S NEW AT RITE AID?

Within the last year, Rite Aid (NYSE: RAD) has named a new President and CEO, John Standley as well as a new COO and CFO. Mr. Standley, formerly Rite Aid's CFO, returned after a successful turnaround stint at Pathmark. The new senior management team has introduced a number of initiatives which although still new, have been favorably received by Rite Aid's customers.

1. Wellness Plus Rewards program has 40 million members. Membership is free. Members are spending substantially more at Rite Aid than non-members.

2. Rite Aid has started experimenting with three different store segmentation strategies to increase sales. The South Carolina Save-A-Lot/Rite Aid combo stores, which introduce full service grocery products including perishables to Rite Aid stores, have experienced strong sales increases. The Company is converting some stores to a Value+ format, which is designed to generate front-end sales in lower volume stores. Finally, Rite Aid has recently begun experimenting with a Wellness format store which will feature a Wellness Ambassador (specialized customer care in-store representative) as well as more products and services targeted to individual wellness. Although these initiatives are all still in their infancy (less than 100 stores in the aggregate have been converted to these concepts) and their ultimate success cannot be guaranteed, it is clear that the Company is being creative in its approach to increasing sales and ultimately the value of the Company.

3. 15 minute prescription guarantee.

4. Friendlier customer focus.

These current initiatives follow the very successful "store within a store" concept partnered with GNC and introduced by Rite Aid in the late 1990's.

WHAT'S THE BOTTOM LINE AT RITE AID?

For fiscal 2012, Rite Aid is not projecting any net new store openings. The Company projects 20 store relocations will occur during the year. The Company also projects 60 store closings during the year with 25 of those occurring upon maturity of the store lease.

Although the Company continues to report substantial net losses, 2011 saw Rite Aid put a halt to an almost 2 year decline in monthly sales at stores open at least a year (same store sales). Rite Aid recently reported results for their first quarter 2012 which ended May 28th. To sum it up, the Company posted quarterly sales of $6.4 billion which was flat compared to the $6.4 in last year's first quarter. The first quarter net loss of $.07 per diluted share compared favorably to the $.09 net loss per diluted share of the prior year. On a positive note, this was the second consecutive quarter of flat sales after more than two years of declining sales. The first quarter per share results reportedly beat analysts' quarterly estimates. Rite Aid's results continue to be favorably impacted by the Management's aggressive cost cutting in selling, general and administrative and supply chain expenses. The Company reaffirmed its fiscal 2012 forecast which anticipates another book loss with sales ranging from $25.7 to $26.1 billion.

WHERE ARE RITE AIDS LOCATED?

Rite Aid operates approximately 4,700 pharmacies in 31 states and the District of Columbia. Rite Aid is the largest drugstore chain on the East Coast and the third largest drugstore chain in the county. The Company has its largest concentrations of stores in New York, California and Pennsylvania. The Company does not have any stores in Texas, Florida or Illinois.

According to the Company, approximately 25% of the U.S. population visits a Rite Aid at least once a year. The Company is headquartered in Camp Hill, PA.

WHAT IS THE STATUS OF THE RITE AID CORPORATE SALE-LEASEBACK PROGRAM?

Rite Aid was a pioneer in the drug store industry in the late 1990's with the introduction of the sale-leaseback. Rite Aid had an investment grade credit in the 1990's but left the market when its credit rating was downgraded. Rite Aid reentered the sale-leaseback market in late 2004 and continued successfully bringing packages of stores to the market until 2008 when the financial markets closed for these transactions. From 2004 through 2008, Rite Aid put hundreds of its stores through sale-leaseback. This resulted in an oversupply of available Rite Aids just as the financial markets froze in 2008.

The Company has not done a corporate sale-leaseback package since then and announced in their first quarter 2012 earnings call that they didn't anticipate doing any significant corporate sale-leaseback transactions in fiscal 2012.

WHAT IS THE IMPACT OF THE BROOKS/ECKERD ACQUISITION?

In 2007 Rite Aid acquired approximately 1,800 Brooks/Eckerd in a transaction that was generally applauded by the financial community. The integration of those stores into the Rite Aid system was difficult and resulted in large net losses even though sales increased dramatically. Among Rite Aid's numerous responses was the closing of several hundred underperforming stores. The Company's stock price declined to less than $0.25 per share in early 2009. Since then the stock price has recovered substantially, trading at approximately $1.10 per share. Rite Aid's market capitalization is approximately $1 billion.

IS RITE AID ON THE RIGHT PATH?

Rite Aid has stabilized its operations although it continues to operate at a net book loss. The Company has recorded book losses for the last 15 quarters. Management's fiscal 2012 forecast expects the Company to post a substantial loss for 2012. For the first quarter of the fiscal year, Rite Aid generated approximately $ 260 million in Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) a measure used by many retail analysts in evaluating performance in addition to the traditionally reported net income.

While Rite Aid continues to be a highly leveraged company having approximately $ 6.2 billion in net debt, the Company has extended its maturing debt so that near term maturities should be manageable. At the end of its first quarter, Rite Aid reported that its liquidity (cash and available borrowings) was $1.2 billion. Based upon the Company's current capital structure, it may have difficulty raising capital to fund some of its new store initiatives as quickly as it would like.

Wal-Mart Stores Inc.'s (NYSE: WMT) generic drug sales initiatives have negatively impacted Rite Aid. Drug sales in the US have slowed and Rite Aid is a distant third to CVS Caremark Corporation (NYSE: CVS) and Walgreen CO. (NYSE: WAG).

In conclusion, Rite Aid has stabilized its operations in a very competitive industry. Recent operating results and Management's actions including new sales initiatives coupled with several years of cost cutting indicate that Rite Aid is on a steady path toward profitability.

FOR MORE INFORMATION

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