

Smart & Final Stores, Inc. Reports Second Quarter 2016 Financial Results

COMMERCE, Calif., July 28, 2016 /PRNewswire/ -- Smart & Final Stores, Inc. (the "Company") (NYSE:SFS), the value-oriented food and everyday staples retailer, today reported financial results for the second fiscal quarter ended June 19, 2016.

Second Quarter Highlights:

- Net sales increase of 14.7% to \$1,038.3 million
- Completed integration of 33 acquired stores to Smart & Final *Extra!* stores
- Comparable store sales decrease of 0.3%, including impacts of deflation and cannibalization
- Net income of \$7.8 million, or \$0.10 per diluted share
- Adjusted net income of \$15.5 million, or \$0.20 per diluted share
- Adjusted EBITDA of \$50.7 million

"Smart & Final has generated dynamic growth in new stores and overall sales in the first half of 2016," said David Hirz, President and Chief Executive Officer. "We've successfully completed the integration of 33 acquired store properties, which have all opened as Smart & Final *Extra!* stores. These new stores are performing well, contributing to strong growth in customer transactions, and have led to the expansion of our workforce by over 3,500 new employees. Additionally, we are broadening our reach to both household and small business customers through an ongoing brand messaging program. We look forward to the longer-term benefits of increased market density as we communicate Smart & Final's unique platform to new and existing customers."

Mr. Hirz added, "The anticipated sales cannibalization from new store development, coupled with higher than expected deflationary pressures on product pricing, have resulted in headwinds to comparable store sales during the first half of 2016, which we expect will remain challenging during the balance of the year. Short-term pressures aside, we are confident in our longer-term store development plans and driving customer engagement through our merchandising and marketing initiatives."

In order to aid understanding of the Company's business performance, it has presented results in conformity with accounting principles generally accepted in the United States ("GAAP") and has also presented adjusted net income, adjusted net income per share, adjusted net income per diluted share, EBITDA and adjusted EBITDA, which are non-GAAP measures that are explained and reconciled to the comparable GAAP measures in the tables included in this release. Where applicable, the numbers below are first presented on a GAAP basis and then on an adjusted basis.

Second Quarter Fiscal 2016 Financial Results

Net sales were \$1,038.3 million, representing a 14.7% increase as compared to \$905.1 million in the same period of 2015. Net sales growth was driven by the net sales contribution of new stores, partially offset by a 0.3% decrease in comparable store sales. Comparable store sales was comprised of a 0.4% increase in comparable transaction count, including the effect of anticipated cannibalization from new stores, and a 0.7% decrease in comparable average transaction size, including the impact of deflation in key product categories in both store banners.

Net sales for *Smart & Final* banner stores were \$811.8 million, an 18.1% increase as compared to \$687.4 million in the prior year period. Comparable store sales for the *Smart & Final* banner decreased 0.6% in the second quarter.

Net sales for *Cash & Carry* banner stores were \$226.5 million, a 4.0% increase as compared to \$217.8 million in the same period of 2015. Comparable store sales for the *Cash & Carry* banner increased 0.4% in the second quarter.

Gross margin from operations was \$157.2 million, an 11.0% increase as compared to \$141.6 million in the second quarter of 2015. Gross margin rate in the second quarter was 15.1% as compared to 15.6% in

the same period of 2015.

Operating and administrative expenses were \$138.8 million, a 21.6% increase as compared to \$114.1 million in the year ago period. This increase was primarily related to expenses associated with 43 new stores developed over the prior 12 months and related support costs.

Net income was \$7.8 million, including the effect of higher store development costs and non-recurring expenses related to acquired stores, as compared to net income of \$11.0 million in the same period of 2015. Net income per diluted share was \$0.10 as compared to \$0.14 in the second quarter of 2015.

Adjusted net income was \$15.5 million, a decrease of 8.4% as compared to \$16.9 million for the year ago period. Adjusted net income per diluted share was \$0.20 as compared to \$0.22 in the same period of 2015.

Adjusted EBITDA remained unchanged at \$50.7 million, as compared to the second quarter of 2015.

Fiscal Year-to-date Financial Results

In the twenty-four weeks ended June 19, 2016, net sales were \$1,946.7 million, an increase of 12.7% as compared to \$1,727.3 million in the same period of 2015. Net sales growth was driven by a 0.8% increase in comparable store sales and from the net sales contribution of new stores. The growth in comparable store sales was comprised of a 1.4% increase in comparable transaction count and a 0.6% decrease in comparable average transaction size.

Net sales for *Smart & Final* banner stores were \$1,521.1 million, a 15.6% increase as compared to \$1,316.2 million in the first half of 2015. Year-to-date comparable store sales growth for the *Smart & Final* banner was 0.9%.

Net sales for *Cash & Carry* banner stores were \$425.7 million, a 3.5% increase as compared to \$411.1 million in the same period of 2015. Year-to-date comparable store sales growth for the *Cash & Carry* banner was 0.3%.

Net income was \$6.2 million, including the effect of higher store development costs, as compared to \$15.9 million in the first half of 2015. Net income per diluted share was \$0.08 as compared to \$0.21 for the same period of 2015.

Adjusted net income was \$22.1 million, a decrease of 10.2% as compared to \$24.6 million in the first half of 2015. Adjusted net income per diluted share was \$0.28 as compared to \$0.32 in the same period of 2015.

Adjusted EBITDA was unchanged at \$85.7 million, as compared to the same period of 2015.

Growth and Development

During the second quarter of fiscal year 2016, the Company opened 16 new *Smart & Final Extra!* stores and completed two relocations of legacy *Smart & Final* stores to the *Smart & Final Extra!* format. As of June 19, 2016, the Company operated a total of 306 stores, including 161 *Smart & Final Extra!* stores, 90 legacy *Smart & Final* stores and 55 *Cash & Carry* stores.

Operating Stores at Quarter End (June 19, 2016)

| | <i>Smart & Final</i> Banner Stores | | | <i>Cash & Carry</i> Banner Stores | Total Company |
|-------------------------------------|--|---------------|-------|---------------------------------------|---------------|
| | <i>Extra!</i> format | Legacy format | Total | | |
| End of Fiscal 2015 | 127 | 94 | 221 | 55 | 276 |
| New stores | 30 | - | 30 | - | 30 |
| Relocations, net | 4 | (4) | - | - | - |
| Conversions | - | - | - | - | - |
| End of 2 nd Quarter 2016 | 161 | 90 | 251 | 55 | 306 |

Leverage and Liquidity

At June 19, 2016, the Company's debt, net of debt issuance costs, was \$617.0 million and cash and cash equivalents were \$67.4 million.

In the twenty-four week period ended June 19, 2016, the Company generated cash from operations of \$60.4 million and invested \$73.5 million in capital expenditures, primarily related to the development of *Extra!* format stores and to improvements of existing assets.

Outlook

The Company is revising certain elements of the previously issued guidance for the 2016 fiscal year ending January 1, 2017, to reflect our revised expectations of the impact of deflation on sales growth and comparable store sales, and resulting impacts on measures of income (revised elements noted in bold type):

| | |
|--|---|
| Net sales growth | 12.5% - 13.5% |
| Comparable store sales growth | (0.5)% - 0.5% |
| Unit growth (net new stores) | 33 <i>Smart & Final Extra!</i> 4 <i>Cash & Carry</i> |
| Relocations of existing stores to <i>Extra!</i> format | 6 <i>Smart & Final</i> stores |
| Conversions of legacy stores to <i>Extra!</i> format | 6 <i>Smart & Final</i> stores |
| Adjusted EBITDA | \$185 - \$190 million |
| Adjusted net income | \$46 - \$48 million |
| Adjusted diluted EPS | \$0.58 - \$0.60 |
| Capital expenditures | \$150 - \$160 million |
| Basic weighted average shares | 73.3 million |
| Fully diluted weighted average shares | 79.0 million |

The above guidance includes certain non-GAAP financial measures (namely adjusted net income, adjusted net income per diluted share and Adjusted EBITDA), which exclude certain costs and non-cash costs and provide investors with additional financial measures of the expected operating performance of the Company's business. The primary factors in reconciling these non-GAAP financial measures to comparable GAAP measures include the following: costs associated with the acquired Haggen store locations of approximately \$18 million, non-cash rent related to other stores of approximately \$6 million and share-based compensation expense of approximately \$10 million. The other amounts needed to reconcile these non-GAAP financial measures to comparable GAAP measures cannot be quantified and are not available without an unreasonable effort.

In the third quarter of 2016, the Company expects to open two new *Smart & Final Extra!* stores and complete two relocations of legacy *Smart & Final* stores to the *Extra!* format, and open two new *Cash & Carry* stores.

Second Quarter 2016 Conference Call

The Company will host a conference call today at 2:00 p.m. Pacific Time / 5:00 p.m. Eastern Time to discuss its second quarter 2016 financial results. To participate in the call, please dial (877) 407-0784 (U.S.) or (201) 689-8560 (International) ten minutes prior to the start time. The conference call can also be accessed on the "Investors" section of the Company's web site at <http://www.smartandfinal-investor.com/>.

For those unable to participate during the live broadcast, a telephonic replay of the call will also be available beginning today at approximately 8:00 p.m. Eastern Time, by dialing (877) 870-5176 (U.S.) or (858) 384-5517 (International) and entering the replay pin number: 13639710. The telephonic replay will be available until 11:59 p.m. Eastern Time, on Thursday, August 11, 2016.

About Smart & Final

Smart & Final Stores, Inc. (NYSE: SFS), is a value-oriented food and everyday staples retailer, headquartered in Commerce (near Los Angeles), California. The Company offers quality products in a variety of sizes, saving household, nonprofit and business customers time and money. As of June 19, 2016, the Company operated 306 grocery and foodservice stores under the "Smart & Final," "Smart & Final *Extra!*" and "Cash & Carry Smart Foodservice" banners in California, Oregon, Washington, Arizona, Nevada, and Idaho, with an additional 15 stores in Northwestern Mexico operated through a joint venture. In business for 145 years, the Company remains committed to giving back to local communities through employee volunteer opportunities and Company donations to local nonprofits.

Forward-Looking Statements

Certain statements contained in this release that are not historical information contain forward-looking statements. The forward-looking statements involve risks and uncertainties and actual results may differ materially from those projected or implied. Further, certain forward-looking statements are based on assumptions of future events which may not prove to be accurate. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "may," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or, in each case, their negative, or other variations or comparable terminology. The Company derives many of its forward-looking statements from its operating budgets and forecasts, which are based upon many detailed assumptions. While the Company believes that its assumptions are reasonable, it is difficult to predict the impact of known factors and, of course, it is impossible to anticipate all factors that could affect actual results. These factors are discussed in the special note concerning "Forward-Looking Statements," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business" sections and elsewhere in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

You should keep in mind that any forward-looking statement made by the Company herein, or elsewhere, speaks only as of the date on which made. New risks and uncertainties come up from time to time, and it is impossible for the Company to predict these events or how they may affect it. The Company has no obligation to update any forward-looking statements after the date hereof, except as required by federal securities laws.

Smart & Final Stores, Inc. and Subsidiaries Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited) (In Thousands, Except Share and Per Share Amounts)

| | <u>Twelve Weeks Ended</u> | | <u>Twenty-Four Weeks Ended</u> | |
|---------------------------------------|---------------------------|---------------|--------------------------------|---------------|
| | June 19, 2016 | June 14, 2015 | June 19, 2016 | June 14, 2015 |
| Net sales | \$ 1,038,281 | \$ 905,121 | \$ 1,946,734 | \$ 1,727,291 |
| Cost of sales, buying and occupancy | 881,067 | 763,538 | 1,661,169 | 1,463,543 |
| Gross margin | 157,214 | 141,583 | 285,565 | 263,748 |
| Operating and administrative expenses | 138,819 | 114,131 | 263,901 | 221,082 |
| Income from operations | 18,395 | 27,452 | 21,664 | 42,666 |
| Interest expense, net | 7,441 | 7,676 | 14,752 | 15,674 |
| Loss on early extinguishment of debt | - | 2,192 | - | 2,192 |
| Equity in earnings of joint venture | 284 | 392 | 728 | 907 |
| Income before income taxes | 11,238 | 17,976 | 7,640 | 25,707 |
| Income tax provision | (3,432) | (6,938) | (1,472) | (9,786) |
| Net income | \$ 7,806 | \$ 11,038 | \$ 6,168 | \$ 15,921 |

| | | | | | |
|---|-------|------------|------------|------------|------------|
| Basic earnings per share | \$ | 0.11 \$ | 0.15 \$ | 0.08 \$ | 0.22 |
| Diluted earnings per share | \$ | 0.10 \$ | 0.14 \$ | 0.08 \$ | 0.21 |
| Weighted average shares outstanding: | | | | | |
| Basic | | 73,197,064 | 73,090,917 | 73,193,107 | 73,087,600 |
| Diluted | | 78,907,184 | 76,893,066 | 78,976,605 | 76,773,674 |
| Comprehensive income: | | | | | |
| Net income | \$ | 7,806 \$ | 11,038 \$ | 6,168 \$ | 15,921 |
| Derivative instruments: | | | | | |
| (Loss) gain, net of income tax (benefit) expense of \$(163) and \$160, respectively, for twelve weeks ended; \$(710) and \$(754), respectively, for the twenty-four weeks ended | (244) | 240 | (1,065) | (1,132) | |
| Reclassification adjustments, net of income tax expense of \$2 and \$27, respectively, for twelve weeks ended; \$5 and \$18, respectively, for twenty-four weeks ended | 4 | 40 | 7 | 27 | |
| Foreign currency translation and employee benefit obligation adjustment | (115) | (180) | (102) | (795) | |
| Other comprehensive (loss) income | (355) | 100 | (1,160) | (1,900) | |
| Comprehensive income | \$ | 7,451 \$ | 11,138 \$ | 5,008 \$ | 14,021 |

Smart & Final Stores, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In Thousands, Except Share and Per Share Amounts)

| | June 19, 2016 | January 3, 2016 |
|---|---------------|-----------------|
| | (Unaudited) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 67,384 | \$ 59,327 |
| Accounts receivable, less allowances of \$444 and \$454 at June 19, 2016 and January 3, 2016, respectively | 28,378 | 27,304 |
| Inventories | 245,891 | 234,289 |
| Prepaid expenses and other current assets | 25,572 | 29,072 |
| Deferred income taxes | 22,815 | 22,471 |
| Total current assets | 390,040 | 372,463 |
| Property, plant, and equipment: | | |
| Land | 10,730 | 10,940 |
| Buildings and improvements | 20,021 | 20,441 |
| Leasehold improvements | 262,851 | 237,820 |
| Fixtures and equipment | 315,417 | 266,080 |
| Construction in progress | 17,813 | 19,501 |
| | 626,832 | 554,782 |
| Less accumulated depreciation and amortization | 206,801 | 174,906 |
| | 420,031 | 379,876 |
| Capitalized software, net of accumulated amortization of \$13,872 and \$12,356 at June 19, 2016 and January 3, 2016, respectively | 11,413 | 11,365 |
| Other intangible assets, net | 373,335 | 376,122 |
| Goodwill | 611,242 | 611,242 |
| Equity investment in joint venture | 13,576 | 12,763 |

| | | |
|---|--------------|--------------|
| Other assets | 55,333 | 53,250 |
| Total assets | \$ 1,874,970 | \$ 1,817,081 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 212,364 | \$ 194,149 |
| Accrued salaries and wages | 31,706 | 33,859 |
| Accrued expenses | 85,004 | 77,374 |
| Current portion of debt, less debt issuance costs | 29,166 | 3,904 |
| Total current liabilities | 358,240 | 309,286 |
| Long-term debt, less debt issuance costs | 587,840 | 586,956 |
| Deferred income taxes | 127,580 | 128,752 |
| Postretirement and postemployment benefits | 115,351 | 117,417 |
| Other long-term liabilities | 114,382 | 108,099 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$0.001 par value; Authorized shares – 10,000,000 | | |
| Issued and outstanding shares – none | – | – |
| Common stock, \$0.001 par value; Authorized shares – 340,000,000 | | |
| Issued and outstanding shares - 74,215,032 and 73,789,608 at June 19, 2016 and January 3, 2016, respectively | 74 | 74 |
| Additional paid-in capital | 505,296 | 502,304 |
| Retained earnings | 73,355 | 70,181 |
| Accumulated other comprehensive loss | (7,148) | (5,988) |
| Total stockholders' equity | 571,577 | 566,571 |
| Total liabilities and stockholders' equity | \$ 1,874,970 | \$ 1,817,081 |

Smart & Final Stores, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In Thousands)

| | Twenty-four Weeks Ended | |
|--|-------------------------|---------------|
| | June 19, 2016 | June 14, 2015 |
| Operating activities | | |
| Net income | \$ 6,168 | \$ 15,921 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 21,752 | 16,625 |
| Amortization | 15,035 | 13,159 |
| Amortization of debt discount and debt issuance costs | 1,280 | 1,293 |
| Share-based compensation | 3,418 | 4,903 |
| Excess tax benefits related to share-based payments | – | (60) |
| Deferred income taxes | (811) | (1,878) |
| Equity in earnings of joint venture | (728) | (907) |
| Loss (gain) on disposal of property, plant, and equipment | 65 | (26) |
| Asset impairment | 181 | 513 |
| Loss on early extinguishment of debt | – | 2,192 |
| Changes in operating assets and liabilities: | | |

| | | | |
|---|----------|----------|------------|
| Accounts receivable, net | (1,074) | 2,300 | |
| Inventories | (11,602) | 8,838 | |
| Prepaid expenses and other assets | 2,017 | 14,558 | |
| Accounts payable | 18,215 | (4,608) | |
| Accrued salaries and wages | (2,153) | (3,625) | |
| Other accrued liabilities | 8,682 | 1,813 | |
| Net cash provided by operating activities | 60,445 | 71,011 | |
| Investing activities | | | |
| Purchases of property, plant, and equipment | (70,346) | (59,350) | |
| Proceeds from disposal of property, plant, and equipment | 409 | 8,091 | |
| Assets acquired in Haggen Transaction | (2,227) | – | |
| Investment in capitalized software | (1,385) | (2,674) | |
| Other | (279) | (1,304) | |
| Net cash used in investing activities | (73,828) | (55,237) | |
| Financing activities | | | |
| Proceeds from exercise of stock options | 1,783 | 107 | |
| Payment of minimum withholding taxes on net share settlement of share-based compensation awards | (106) | (17) | |
| Fees paid in conjunction with debt financing | (133) | (1,204) | |
| Borrowings on bank line of credit | 40,000 | – | |
| Payments on bank line of credit | (15,000) | – | |
| Payments of public offering costs | – | (214) | |
| Excess tax benefits related to share-based payments | – | 60 | |
| Stock repurchases | (5,104) | – | |
| Net cash provided by (used in) financing activities | 21,440 | (1,268) | |
| Net increase in cash and cash equivalents | 8,057 | 14,506 | |
| Cash and cash equivalents at beginning of period | 59,327 | 106,847 | |
| Cash and cash equivalents at end of period | \$ | 67,384 | \$ 121,353 |
| Cash paid during the period for: | | | |
| Interest | \$ | 7,467 | \$ 11,443 |
| Income taxes | \$ | 5,476 | \$ 7,022 |
| Non-cash investing and financing activities | | | |
| Software development costs incurred but not paid | \$ | 490 | \$ 49 |
| Construction in progress costs incurred but not paid | \$ | 13,542 | \$ 12,053 |

Smart & Final Stores, Inc. and Subsidiaries
Segment Reporting
(In Thousands)

| | Smart & Final | Cash & Carry | Corporate / Other | Consolidated |
|---|---------------|--------------|-------------------|--------------|
| Twelve Weeks Ended June 19, 2016 | | | | |
| Net sales | \$ 811,754 | \$ 226,527 | \$ - | \$ 1,038,281 |
| Cost of sales, distribution and store occupancy | 685,129 | 193,579 | 2,359 | 881,067 |
| Operating and administrative expenses | 108,041 | 15,225 | 15,553 | 138,819 |
| Income (loss) from operations | \$ 18,584 | \$ 17,723 | \$ (17,912) | \$ 18,395 |
| Capital expenditures | \$ 40,524 | \$ 824 | \$ 1,470 | \$ 42,818 |
| Assets acquired in Haggen Transaction | \$ 426 | \$ - | \$ - | \$ 426 |

Twelve Weeks Ended June 14, 2015

| | | | | |
|---|------------|------------|-------------|------------|
| Net sales | \$ 687,353 | \$ 217,768 | \$ - | \$ 905,121 |
| Cost of sales, distribution and store occupancy | 574,217 | 187,208 | 2,113 | 763,538 |
| Operating and administrative expenses | 82,399 | 14,632 | 17,100 | 114,131 |
| Income (loss) from operations | \$ 30,737 | \$ 15,928 | \$ (19,213) | \$ 27,452 |
| Capital expenditures | \$ 33,183 | \$ 2,641 | \$ 1,817 | \$ 37,641 |

Twenty-four Weeks Ended June 19, 2016

| | | | | |
|---|--------------|------------|-------------|--------------|
| Net sales | \$ 1,521,068 | \$ 425,666 | \$ - | \$ 1,946,734 |
| Cost of sales, distribution and store occupancy | 1,291,811 | 364,696 | 4,662 | 1,661,169 |
| Operating and administrative expenses | 203,241 | 30,050 | 30,610 | 263,901 |
| Income (loss) from operations | \$ 26,016 | \$ 30,920 | \$ (35,272) | \$ 21,664 |
| Capital expenditures | \$ 67,123 | \$ 1,886 | \$ 2,722 | \$ 71,731 |
| Assets acquired in Haggen Transaction | \$ 2,227 | \$ - | \$ - | \$ 2,227 |

Twenty-four Weeks Ended June 14, 2015

| | | | | |
|---|--------------|------------|-------------|--------------|
| Net sales | \$ 1,316,189 | \$ 411,102 | \$ - | \$ 1,727,291 |
| Cost of sales, distribution and store occupancy | 1,104,837 | 354,515 | 4,191 | 1,463,543 |
| Operating and administrative expenses | 160,646 | 28,519 | 31,917 | 221,082 |
| Income (loss) from operations | \$ 50,706 | \$ 28,068 | \$ (36,108) | \$ 42,666 |
| Capital expenditures | \$ 54,050 | \$ 4,319 | \$ 3,655 | \$ 62,024 |

Non-GAAP Financial Measures

To supplement the Company's financial information presented in accordance with GAAP, the Company uses certain non-GAAP financial measures (namely adjusted net income, adjusted net income per share, adjusted net income per diluted share, EBITDA and Adjusted EBITDA) to evaluate our operating and financial performance and to compare such performance to that of prior periods. We also use these non-GAAP financial measures in making operational and financial decisions and in establishing operational goals. We believe that providing these non-GAAP financial measures to investors, as a supplement to GAAP financial measures, helps investors to (i) evaluate our operating and financial performance and future prospects, (ii) compare financial results across accounting periods, (iii) better understand the long-term performance of our core business and (iv) evaluate trends in our business, all consistent with how management evaluates such performance and movements. The Company defines adjusted net income as net income adjusted for the items set forth in the table below. The Company defines adjusted net income per share as adjusted net income divided by the weighted average basic shares outstanding. The Company defines adjusted net income per diluted share as adjusted net income divided by the weighted average diluted shares outstanding. The Company defines EBITDA as net income before depreciation and amortization, interest expense and provision for income tax, and adjusted EBITDA as EBITDA adjusted for the items set forth in the table below.

Use of these non-GAAP measures may differ from similar measures reported by other companies. Each of these non-GAAP measures has its limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of the Company's results as reported under GAAP.

The following tables present reconciliations of adjusted net income, EBITDA and adjusted EBITDA to net income, and adjusted net income per share and adjusted net income per diluted share to net income per share, for the twelve-week and twenty-four week periods ended June 19, 2016 and June 14, 2015.

Smart & Final Stores, Inc. and Subsidiaries
Reconciliation of EBITDA to Adjusted EBITDA
(Unaudited)
(In Thousands)

| | Twelve Weeks Ended June 19, 2016 | Twelve Weeks Ended June 14, 2015 | Twenty-four Weeks Ended June 19, 2016 | Twenty-four Weeks Ended June 14, 2015 |
|---|--|--|---|---|
| Net income | \$ 7,806 | \$ 11,038 | \$ 6,168 | \$ 15,921 |
| Depreciation and amortization | 19,253 | 15,282 | 36,787 | 29,783 |
| Interest expense, net | 7,441 | 7,676 | 14,752 | 15,674 |
| Income tax provision | 3,432 | 6,938 | 1,472 | 9,786 |
| EBITDA | 37,932 | 40,934 | 59,179 | 71,164 |
| Adjustments to EBITDA | | | | |
| Transaction costs (a) | - | 875 | - | 936 |
| Net loss from closed stores and exit costs (b) | 2,602 | 1,284 | 3,738 | 1,374 |
| Loss from asset dispositions (c) | 57 | 95 | 185 | 503 |
| Share-based compensation expense (d) | 1,911 | 2,519 | 3,418 | 4,903 |
| Non-cash rent (e) | 1,422 | 484 | 2,506 | 1,277 |
| Pre-opening costs (f) | 247 | 2,277 | 437 | 3,410 |
| Acquired Haggen store locations pre-opening costs and non-cash rent (g) | 6,537 | - | 16,278 | - |
| Loss on extinguishment of debt (h) | - | 2,192 | - | 2,192 |
| Other items (i) | - | 25 | 6 | (45) |
| Adjusted EBITDA | \$ 50,708 | \$ 50,685 | \$ 85,747 | \$ 85,714 |

Smart & Final Stores, Inc. and Subsidiaries
Reconciliation of Net Income to Non-GAAP Adjusted Net Income
(Unaudited)
(In Thousands, Except Share and Per Share Amounts)

| | Twelve Weeks Ended June 19, 2016 | Twelve Weeks Ended June 14, 2015 | Twenty-four Weeks Ended June 19, 2016 | Twenty-four Weeks Ended June 14, 2015 |
|--|--|--|---|---|
| Net income | \$ 7,806 | \$ 11,038 | \$ 6,168 | \$ 15,921 |
| Income tax provision | 3,432 | 6,938 | 1,472 | 9,786 |
| Income before income taxes | 11,238 | 17,976 | 7,640 | 25,707 |
| Adjustments to Net Income | | | | |
| Transaction costs (a) | - | 875 | - | 936 |
| Net loss from closed stores and exit costs (b) | 2,602 | 1,284 | 3,738 | 1,374 |
| Loss from asset dispositions (c) | 57 | 95 | 185 | 503 |
| Share-based compensation expense (d) | 1,911 | 2,519 | 3,418 | 4,903 |

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Non-cash rent (e) | 1,422 | 484 | 2,506 | 1,277 |
| Pre-opening costs (f) | 247 | 2,277 | 437 | 3,410 |
| Costs associated with acquired Haggen store locations (g) | 6,537 | - | 16,278 | - |
| Loss on extinguishment of debt (h) | - | 2,192 | - | 2,192 |
| Other items (i) | - | 25 | 6 | (45) |
| Adjusted income tax provision | (8,546) | (10,833) | (12,107) | (15,638) |
| Adjusted net income | \$ 15,468 | \$ 16,894 | \$ 22,101 | \$ 24,619 |

Adjusted Net Income Per Share

| | | | | |
|--|---------|---------|---------|---------|
| Net income per share - basic | \$ 0.11 | \$ 0.15 | \$ 0.08 | \$ 0.22 |
| Per share impact of net income adjustments | 0.10 | 0.08 | 0.22 | 0.12 |
| Adjusted net income per share - basic | \$ 0.21 | \$ 0.23 | \$ 0.30 | \$ 0.34 |
| Net income per share - diluted | \$ 0.10 | \$ 0.14 | \$ 0.08 | \$ 0.21 |
| Per share impact of net income adjustments | 0.10 | 0.08 | 0.20 | 0.11 |
| Adjusted net income per share - diluted | \$ 0.20 | \$ 0.22 | \$ 0.28 | \$ 0.32 |

| | | | | |
|---|------------|------------|------------|------------|
| Weighted average shares - basic | 73,197,064 | 73,090,917 | 73,193,107 | 73,087,600 |
| Weighted average shares - fully diluted | 78,907,184 | 76,893,066 | 78,976,605 | 76,773,674 |

| | |
|-----|---|
| (a) | Represents costs primarily associated with the Company's secondary public offering that were charged to expense in the twelve and twenty-four weeks ended June 14, 2015. |
| (b) | Represents costs associated with store closure and exit costs. |
| (c) | Represents non-cash loss associated with asset dispositions and impairment charges. |
| (d) | Represents expenses associated with the Company's equity-based incentive award program. |
| (e) | Represents non-cash component of recognized rent expense. |
| (f) | Represents new store and relocation opening costs consisting primarily of rent, utilities, distribution, store labor and advertising. |
| (g) | Represents new store opening costs and non-cash rent related to acquired former Haggen store locations. |
| (h) | Represents loss on the early extinguishment of debt in the twelve and twenty-four weeks ended June 14, 2015 in connection with an amendment to the Company's Term Loan Facility. |
| (i) | Represents (i) severance costs in the twenty-four weeks ended June 19, 2016 and the twelve and twenty-four weeks ended June 14, 2015 and (ii) death benefit income from a Company-owned life insurance policy in the twenty-four weeks ended June 14, 2015. |

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