



Fred's Pharmacy Reports June Sales

July 6, 2017

Continues execution of the Company's healthcare transformation strategy

Combined Retail and Specialty Pharmacy comparable store sales increased 3.5%

MEMPHIS, Tenn.--(BUSINESS WIRE)--Jul. 6, 2017-- Fred's, Inc. ("Fred's Pharmacy" or the "Company") (NASDAQ:FRED) today reported sales for the five-week fiscal month of June, which ended on July 1, 2017.

Fred's total sales for the month decreased 5.3% year-over-year to \$197.5 million from \$208.5 million in June 2016. The decrease in sales is related to the closure of 39 underperforming stores in the first quarter and continued pressure in the Front Store business. Total comparable store sales for the month decreased 1.6% compared with a 1.3% decrease in comparable sales in the prior year period. Comparable store sales for June included a negative 0.9% impact as a result of the sale of low productive discontinued inventory.

Commenting on the announcement, Michael K. Bloom, Chief Executive Officer, said, "Fred's Pharmacy remains focused on executing the Company's healthcare transformation. While overall comparable store sales in June were lower than we had anticipated, the results in our Retail and Specialty Pharmacy businesses continue to be favorable, with combined pharmacy comparable sales increasing 3.5%. In Retail Pharmacy, we continue to see a positive shift to generic, while we consistently experience strong sales and script growth in the Specialty Pharmacy business. Front Store sales continue to face headwinds in consumables categories, and cooler than average temperatures impacted summer seasonal sales. However, we are encouraged by our early results in the recent introduction of beer and wine in select stores. We also continue to see the benefits of the initiatives we began to roll out last year, including upgrading talent, investing in technology and remodeled stores and diversifying our specialty pharmacy portfolio, to name a few."

Mr. Bloom continued, "Our lower than anticipated June sales and the headwinds we are facing will impact our second quarter results, and we no longer expect sequential improvement from the first quarter. However, we still expect to achieve operational profitability in the fourth quarter of 2017. We remain committed to enhancing long-term shareholder value and will continue to execute on our strategy, including growing scripts and optimizing our supply chain and store fleet, to drive revenue growth, enhance gross margins, reduce operating expense and increase free cash flow."

About Fred's Pharmacy

Tracing its history back to an original store in Coldwater, Mississippi, opened in 1947, today Fred's Pharmacy is headquartered in Memphis, Tennessee, and operates 601 pharmacy and general merchandise stores, including 14 franchised Fred's Pharmacy locations, and three specialty pharmacy-only locations. With a unique store format and strategy that combines the best elements of a healthcare-focused drug store with a value-focused retailer, Fred's Pharmacy stores offer more than 12,000 frequently purchased items that address the healthcare and everyday needs of its customers and patients. This includes nationally recognized brands, proprietary Fred's Pharmacy label products, and a full range of value-priced selections. The Company has two distribution centers, one in Memphis, Tennessee, and Dublin, Georgia.

For more information about the Company, visit Fred's website at www.fredsinc.com.

Forward-Looking Statements

Comments in this news release that are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. A reader can identify forward-looking statements because they are not limited to historical facts or they use such words as "outlook," "guidance," "may," "should," "could," "believe," "anticipate," "plan," "expect," "estimate," "forecast," "goal," "intend," "committed," "continue," or "will likely result" and similar expressions that concern the Company's strategy, plans, intentions or beliefs about future occurrences or results. These risks and uncertainties include, but are not limited to, those associated with the Company's announced strategic plan, the success of announced acquisition activities and future growth trends in businesses acquired; general economic trends; changes in consumer demand or purchase patterns; delays or interruptions in the flow of merchandise between the Company's distribution centers and its stores or between the Company's suppliers and same; a disruption in the Company's data processing services; cyber-security threats; costs and delays in acquiring or developing new store sites; and the factors listed under "Risk Factors" in the Company's most recent Annual Report on Form 10-K and any subsequent quarterly filings on Form 10-Q filed with the Securities and Exchange Commission. Forward-looking statements speak only as of the date made. The Company undertakes no obligation to release revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unforeseen events, except as required to be reported under the rules and regulations of the Securities and Exchange Commission.

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Source: Fred's, Inc.

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