



January 16, 2018

Dear Valued Vendor Partner:

Coming out of the Holiday season, I wanted to give you an update on our results for the 9 week period ended December 30, 2017.

Our efforts continue to deliver favorable results:

- Delivered \$37.4 million of EBITDA for the 9 week period ended December 30
- Improved inventory mix drove a +250bp increase in Main Store Gross Margin
- Expect Full Year fiscal 2017 EBITDA to be 2.5 times fiscal 2016

Shopko ended the 9 week holiday period on December 30 with EBITDA up 18% to last year. The Shopko team continues to execute against and exceed the plans we laid out earlier this year. We were able to realize significant improvement in our gross margin rates during the key November/December time period as a result of managing to a significant reduction in clearance inventory levels.

Excluding the impact of lower clearance sales, comp Main Store Sales were down (0.7%) for the 9 week period. Consistent with the company's plans to de-emphasize the category, consumer electronics sales were comp down (18%), which represented a (200bp) impact on overall Main Store Sales.

As a result of better inventory management, comp Main Store Gross Margins improved by over 250bp resulting in a 3.0% increase in comp Main Store Gross Margin dollars for the 9 week period. Shopko currently expects to end the year with EBITDA more than 2.5 times last year.

We have spent fiscal 2017 focused on retail fundamentals, strategically distorting our inventory investments and promotional events to drive improved gross margin rates, while also driving efficiencies in the business. We are now better positioned to take advantage of sales growth opportunities that have been identified by our merchant and marketing teams.

Feel free to visit our vendor portal to view up-to-date financial information on a confidential, secure basis and please email [vendorrelations@shopko.com](mailto:vendorrelations@shopko.com) if you have any additional questions.

Thank you for your continued support.

Sincerely,

Russ Steinhorst, President and CEO



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