

Customer & Market Insights

Report

June 23, 2009

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Strategic Intelligence

History-Competition-Strategy-Financial

Weis Markets, Inc.





Weis Markets, Inc.

Company Overview

Over the last three quarters Weis Markets has weathered what its CEO David Hepfinger called in 2008 a "perfect retail storm." More recently, reflecting on Weis' overall performance in 2008, Mr. Hepfinger told shareholders that 2008 was "a tale of two companies. In the first part of the year, our company underperformed. But in the second half of the year, we regained our momentum and produced a 97.6% increase in our fourth-quarter net income."

Weis Markets' focus on reducing operating costs and keeping prices low has paid off. Following a positive trend towards the end of 2008, net income and sales were up in the first quarter of 2009, and operating margins for the quarter more than doubled the 2008 fourth quarter. Comparable store sales were up 4.3% in 2008 and though easing, were still up 1.6% in the first quarter of 2009. Management attributes the growth to an increase in average sales per customer transaction, which was the result of changes in product mix and inflation. Additionally, several programs were put in place to attract customers in this difficult market. A "Price Freeze" campaign, initiated in January and renewed in April, reduced the cost of 2,400 items in the store and was successful in increasing average sales per transaction, but it did not prevent customer visits from slipping by 2%. To combat a downward trend of pharmacy sales and to remain competitive in the pharmacy market, the Company implemented new pricing strategies involving generic drugs in the second half of 2008. Pharmacy sales increased in the second half of 2008 but remained flat in the first quarter of 2009. Inflation also remains a concern, especially after the Company has seen significant product deflation in Weis' dairy category. With oil prices also influencing profitability, the Company is proactive in looking to improve its cost structure and reduce costs. Fuel usage is projected to decline 6% this year because of management's ongoing efforts in this area.

During fiscal 2009 the Company expects to invest \$80.5 million to construct new superstores, expand and remodel existing units, acquire sites for future expansion, make new technology purchases and continue to upgrade the Company's processing and distribution facilities. Weis has already begun to put its expansion plans into effect. On May 21, Weis announced its plans to purchase New York based Giant Market's Broome County, NY stores located in Binghamton, Vestal, Endicott, Endwell and Johnson City. This acquisition, which is expected to be complete by August 21, will increase Weis' penetration in the upstate New York area. Currently the Company has one store in Elmira, NY.

The past year saw several changes in management, most notably the appointment of a new chief executive officer. New CEO David J. Hepfinger replaced Norman S. Rich, who had been with the Company for 44 years. Hepfinger joined the Company on March 1, 2008 as President and Chief Operating Officer.

Albert Furst, Vice President, 1-800-789-0123, extension 147.

General Information

Headquarters:	1000 South Second Street P.O. Box 471 Sunbury, PA 17801-0471	Revenues:	\$2.42 billion at December 27, 2008
Telephone:	(570) 286-4571	Grocery Stores:	154
Web Address:	www.weismarkets.com	Pet Stores:	27
Distribution Centers:	2	Market Areas:	AL, GA, IN, MD, MI, NJ, NY, NC, OH, PA, SC, TN and WV
Manufacturing Plants:	4	Banners:	Cressler's Marketplace, King's Market, Mr Z's FoodMart, Save-A-Lot, Scot's Lo-Cost, SuperPetz and Weis Market

Key Personnel

Chairman:	Robert F. Weis	VP, Grocery Merchandising:	Kurt S. Schertle
Vice Chairman and Secretary:	Jonathan H. Weis	VP, Pharmacy:	Jeff Maltese
President and CEO:	David J. Hepfinger	VP, Real Estate:	Harold G. Graber
Senior VP and CFO:	William R. Mills	VP, Information Technology:	Bob Mawyer
VP, Store Operations:	Jay Ropietski	VP, Human Resources:	James E. Marcil
VP, Operations:	Wayne S. Bailey	VP, Perishables:	Harry Giglio
VP, Procurement:	Daniel A. Kessler	Director, Marketing:	Brian Holt

History

Founded in Sunbury, PA as Weis Pure Foods by Sigmund and Harry Weis in 1912, the Company began as a traditional cash 'n carry market. Weis was one of the first in the industry to abandon the traditional credit policy and operate strictly on a cash basis. This innovation allowed the two brothers to offer their goods at a "discounted" price that its competitors, who continued to operate on a credit basis, could not match. The Company's first expansion came in 1915, when a second store was opened in Harrisburg, PA. During the following two decades, the Company opened several dozen additional locations in central Pennsylvania. The business was incorporated as Weis Markets, Inc., in 1924.

The brothers opened the first modern "self-service" grocery store around 1930, an innovation that served the Company well. Self-service allowed the brothers to further reduce costs and keep pricing down. By the early 1960s, the chain had grown to 52 stores and revenues had reached \$100.0 million. Active management shifted to Sigmund's son, Siegfried, and Harry's son, Robert. In 1965, the Company went public; however, the two Weis families retained a controlling interest in the publicly-traded entity.

In 1979, the Company opened its first in-store pharmacy. Four years later, Weis entered the discount grocery store segment with the opening of its first Scot's Lo-Cost store. In 1993, the Company acquired 14 IGA Food Markets in northeastern Pennsylvania, which were rebannered to the Mr. Z's Food Mart nameplate. The following year was a busy one for Weis: the Company purchased King's Supermarkets, a six-store chain based in Hamburg, PA. It also acquired an 80% ownership stake in SuperPetz, which operated three stores in Ohio but quickly expanded to nearly 30 locations by the end of 1995. In 1998, the Company sold its stake in AquaPenn Spring Water (1.9 million shares) for a pre-tax profit of approximately \$15.0 million. In 1999, Weis acquired four Festival Foods stores (two in Pennsylvania and two in Maryland) from Fleming. The following year, the Company sold its food service division, Weis Food Service, to Reinhart FoodService in order to focus on the growth of its core retail food business.

In 2001, the Company spent approximately \$434.0 million to acquire 14.5 million shares, representing a 41% stake, held by the heirs of co-founder Sigmund Weis. The group was no longer involved in the day-to-day operations and had been pushing for a sale of the Company.

With the August 2004 opening of a supermarket in White Marsh, MD, Weis Markets launched its new superstore prototype focused on larger perishable departments, more refined décor and wider selections of organic and natural products.

In 2008, the Company launched Weisishop.com for four of its stores, an online shopping service where customers can order online and pick up their packages at the store.

Weis Markets has grown to become one of the largest regional food retailers in the United States. The Company is also a minor competitor in the drugstore and pet supply segments, operating 119 in-store pharmacies and 27 stand-alone SuperPetz stores. Since the end of 2008 the Company has closed one retail food store and two pet supply stores.

Store Activity						
	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	YTD 2009
Stores at beginning of period:	158	157	158	156	155	155
Stores opened	1	1	2	1	1	0
Stores closed:	(2)	0	4	2	1	1
Stores sold:	0	0	0	0	0	0
Stores at end of period:	157	158	156	155	155	154
<i>Relocations:</i>	2	1	1	1	0	0
<i>Remodels:</i>	2	3	5	4	8	0
Pet stores at end of period:	33	32	31	31	29	27

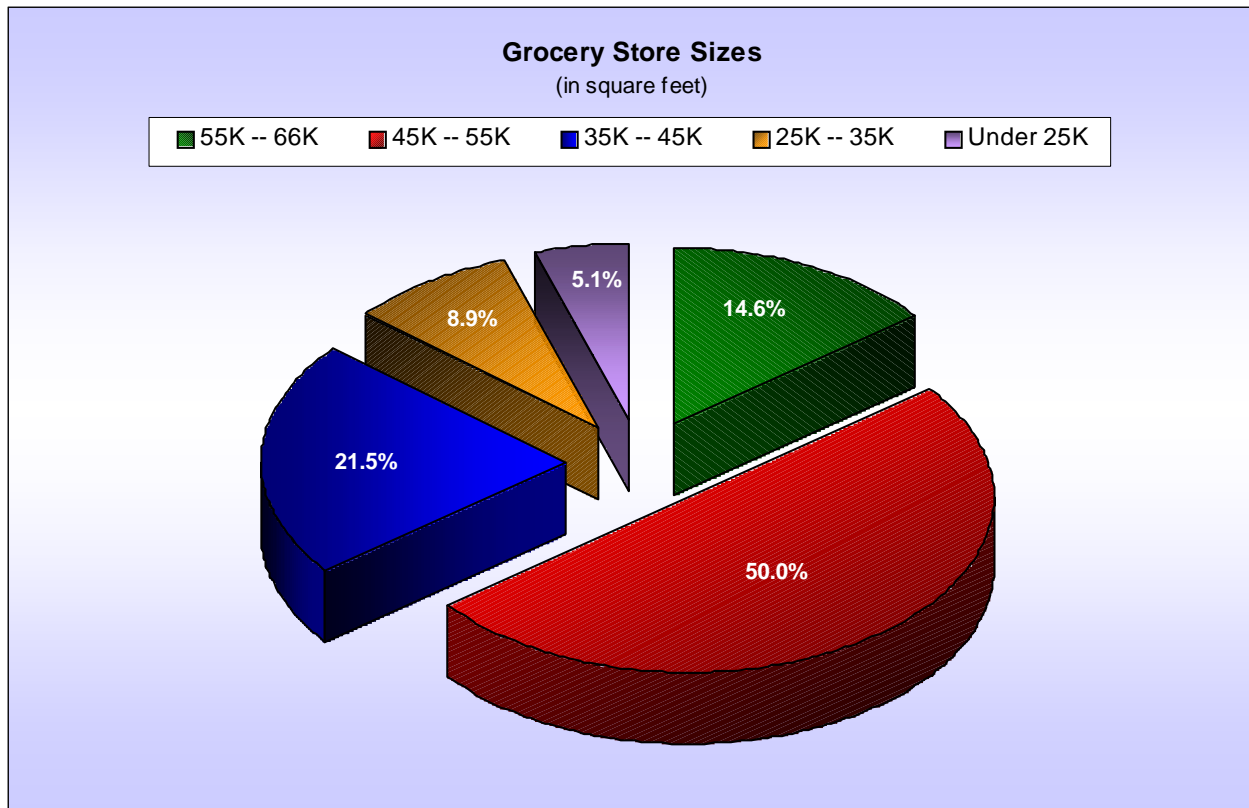
Store Locations

As of the end of fiscal 2008, Weis Markets operated 154 grocery stores in five states, including 125 in Pennsylvania, 24 in Maryland, three in New Jersey, two in West Virginia and one in New York. The stores are concentrated primarily in central and northeast Pennsylvania, central Maryland and suburban Baltimore. Weis also operated 29 SuperPetz stores located in Pennsylvania (10), Ohio (5), South Carolina (5), Tennessee (2), Alabama (2), Michigan (1), Georgia (1), Indiana (1), Maryland (1) and North Carolina (1). Subsequently, one grocery store and two SuperPetz stores have closed. Weis currently operates 154 grocery stores and 27 SuperPetz stores.

Store Format

The Company's retail food stores range in size from 8,000 to 67,000 square feet, with an average size of approximately 48,000 square feet. A more detailed breakdown of the chain's various store sizes as of fiscal 2008 is shown in the pie chart below. The Company currently owns 82 of its 154 supermarkets. The remaining 72 food stores and all 27 pet stores are leased.

Stores operate under the Cressler's Marketplace, Scot's Lo-Cost, Save-A-Lot, Weis Market, King's Market, Mr. Z's FoodMart and SuperPetz banners (illustrated below). Cressler's, Weis, King's and Mr Z's operate as conventional supermarkets, whereas Save-A-Lot is a price impact operator and Scot's Lo-Cost operates under a warehouse format. SuperPetz is a pet supply chain.



Store Banners

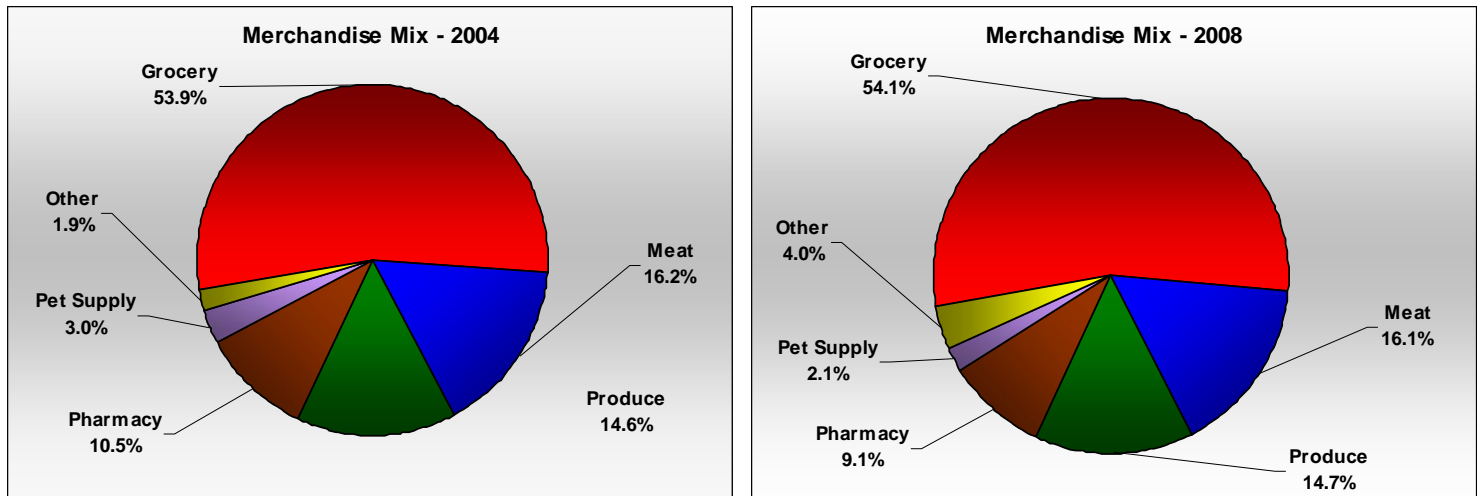


Distribution Operations

The Company owns and operates two distribution centers and a warehouse in Pennsylvania; a 1.1 million square-foot facility in Milton and a 76,000 square-foot center in Northumberland. Weis also owns a 564,000 square-foot warehouse complex in Sunbury, PA, 259,000 square feet of which houses the Company's ice cream plant, meat processing plant, ice plant and milk processing plant. The remaining 305,000 square feet is sublet.

Category Sales

A detailed breakdown of the Company's merchandise mix as of fiscal 2008 is illustrated in the pie charts below. For comparison, data is shown for 2004 and 2008.



Market Revenue Analysis

The following table illustrates how each selected market fits into Weis Markets' revenue picture, including estimated gross revenue from each market as well as that market's percentage of the chain's total sales.

Market Revenue Analysis (dollars in millions)			
Market Area	Number of Stores	Revenue from Market	Market's % of Total Revenue
Allentown, PA	12	\$ 176.3	7.3%
Baltimore, MD	16	\$ 222.1	9.2%
Harrisburg, PA	12	\$ 187.6	7.8%
Scranton, PA	12	\$ 163.4	6.8%
All Other	102	\$ 1,670.6	69.0%
Total	154	\$ 2,420.0	100.0%

Strategic Initiatives

Weis has identified several initiatives it plans to pursue in order to "ensure the success of the Company in the coming years."

- **Growth and Profitability**

With their sights set on growing market share and profitability, the Company expects to invest \$80.5 million in the construction of new superstores, the expansion and remodeling of existing units, the acquisition of sites for future expansion, new technology purchases and the continued upgrade of the Company's processing and distribution facilities. This amount is a 25% increase compared to 2008.

Specifically, during 2009 the Company plans to invest in its existing store base with one addition and seven remodels. Jonathan Weis, vice chairman, recently told shareholders that Weis has "18 projects in active planning stages and expects to soon begin work on one replacement unit and a new store in the coming months. A substantial portion of our budget will go towards the upgrade of our information technology systems."

Already Weis has put its expansion plans into effect. On May 21, the Company announced it will be purchasing all 12 of Giant Markets' Broome County stores located in Binghamton, Vestal, Endicott, Endwell and Johnson City, New York, for an as yet undisclosed sum. The acquisition is expected to be completed by August 21st. According to Mr. Weis, "Giant Markets is the market leader in Broome County where they have excellent locations, modern stores and a strong market presence." This purchase will significantly increase Weis' presence in New York, where currently there is only one Weis store in Elmira.

- **Merchandising and Operational Differentiation**

In this highly competitive market, the Company is aiming to distinguish itself from its competitors by concentrating on product pricing, shopping experience and customer focus. In addition to providing a clean, efficient customer shopping experience, the Company will continue to offer competitive prices on both branded and private label products. Because of the dismal economy, private label brands sold at an increase of 3.9% in 2008 compared to 2007. The Company believes this trend will continue as customers familiarize themselves with the quality and value of these products.

To achieve the goals outlined above, the Company has initiated two cost-savings plans for consumers. The first is the Price Freeze campaign, which was first introduced in January 2009. The Company lowered prices on 2,400 of its "staple items," including private label and brand name products in center store, frozen, dairy, produce, meat, deli and bakery, then implemented a 90-day price freeze on these same items. Designed to "offer meaningful, long-term savings to our customers," management estimated that the Price Freeze program as of April 1, 2009 saved consumers \$5 million. Because of the success of the Freeze, in April the Company announced that it would lower the prices on an additional 600 items, and would extend the Price Freeze on these 3,000 items through July 15, 2009. The Price Freeze has so far proven successful; there was a 4.1% increase in average sales per customer transaction in the first quarter of 2009. There was, however, a 2.0 % decrease in the number of customer store visits.

The second initiative is a pharmacy savings plan. In October of 2008 Weis introduced a chain-wide 90-Day, \$9.99 Generic Prescription plan that helped its customers save \$2.0 million in 2008. This plan has helped Weis reverse a downward trend in pharmacy sales, as well as remain competitive. Currently the Company has 400 medications covered under this plan.

- **Supply Chain**

Weis partly attributes its strong fourth quarter results to its "store operating practices and increased efficiencies at store and distribution levels." With that success in mind, management will continue to reshape and streamline its supply chain by improving inventory turns, cost per case, in stock position, and overall service level.

Comparative Market Share

The following chart shows Weis Markets' position among all food retailers (including grocery stores, supercenters, convenience stores and warehouse clubs) in selected major metropolitan areas. For comparison, data is shown as of December 2007 and December 2008.

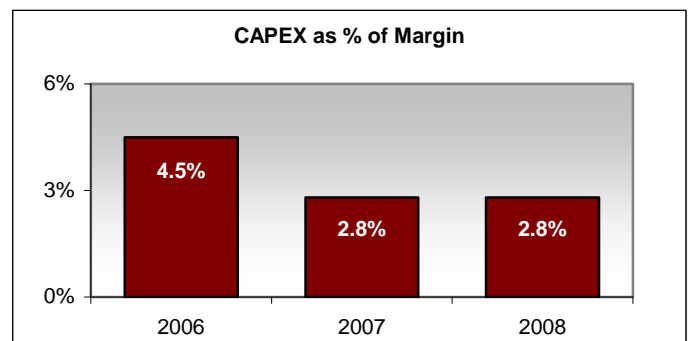
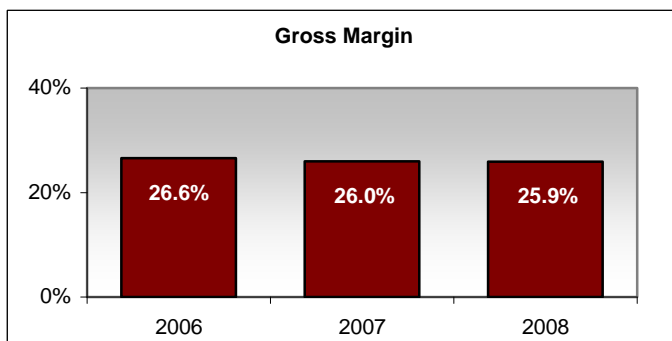
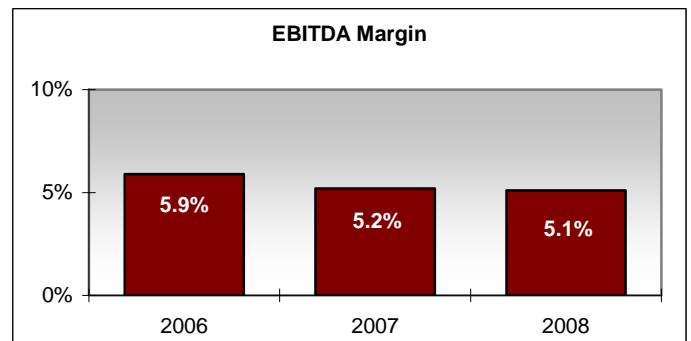
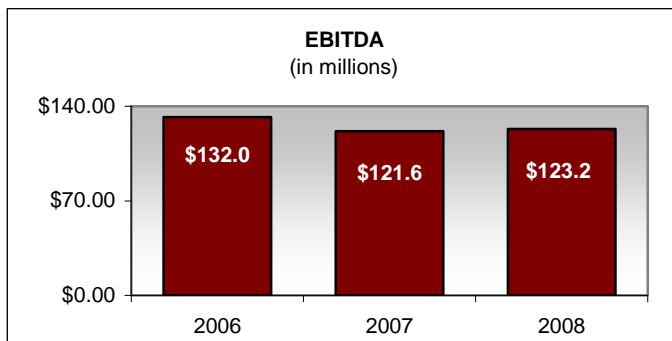
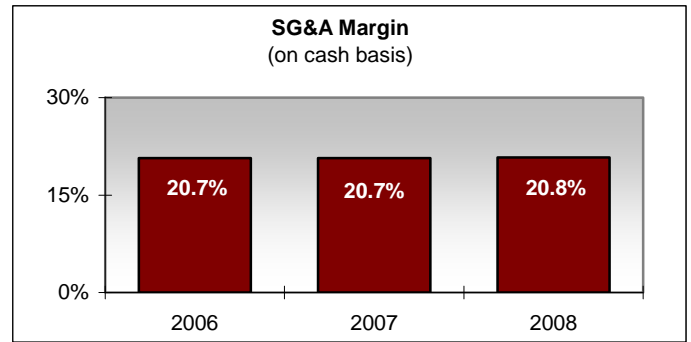
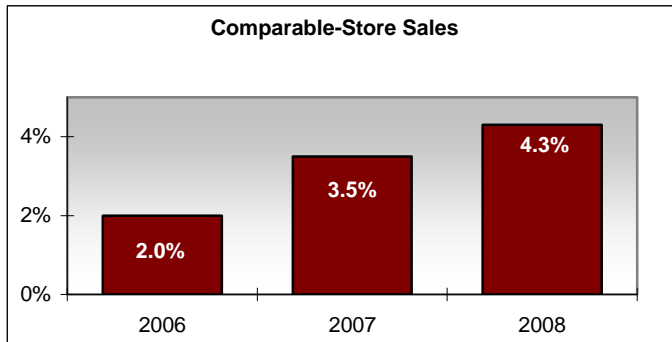
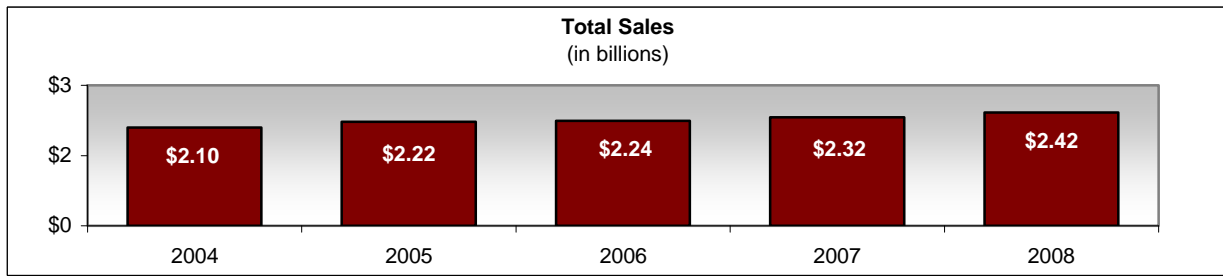
Selected Market Competition

	Dec. 2008			Dec. 2007	
	No. of Stores	Market Share		No. of Stores	Market Share
Allentown, PA (population: 809,000)			Allentown, PA (population: 816,600)		
Royal Ahold (Giant, Martin's, Stop & Shop)	16	28.4%	Royal Ahold (Giant, Martin's, Stop & Shop)	16	29.0%
Wegmans	3	12.7%	Weis Markets (King's, Mr. Z's)	12	12.3%
Weis Markets (King's, Mr. Z's)	12	11.9%	Wegmans	3	11.5%
Redner's Markets	9	6.8%	Redner's Markets	10	8.2%
A&P	5	6.6%	A&P	6	7.9%
Baltimore, MD (population: 2,685,500)			Baltimore, MD (population: 2,674,100)		
Royal Ahold (Giant Food, Giant, Martin's)	41	23.1%	Royal Ahold (Giant Food, Giant, Martin's)	41	22.1%
Safeway	28	11.3%	Safeway	27	10.1%
SUPERVALU (Shoppers Food Warehouse)	19	8.5%	SUPERVALU (Shoppers Food Warehouse)	18	8.4%
Delhaize Group (Food Lion)	29	6.2%	A&P	18	6.3%
Weis Markets	16	4.4%	Weis Markets	15	4.1%
Harrisburg, PA (population: 534,500)			Harrisburg, PA (population: 532,700)		
Royal Ahold (Giant, Martin's)	17	38.6%	Royal Ahold (Giant, Martin's)	17	38.3%
Wal-Mart	5	16.0%	Weis Markets (Cressler's)	13	16.5%
Weis Markets (Cressler's)	12	15.4%	Wal-Mart (including SAM's Club)	5	14.3%
Costco	1	6.0%	Karns Food	8	7.8%
Karns Food	7	5.5%	Costco	1	5.6%
Lancaster, PA (population: 505,000)			Lancaster, PA (population: 503,800)		
Weis Markets	14	25.0%	Weis Markets	14	24.8%
Royal Ahold (Giant, Martin's)	7	22.1%	Royal Ahold (Giant, Martin's)	7	21.9%
Wal-Mart	2	9.3%	Wal-Mart	2	9.1%
Costco	1	8.4%	Costco	1	7.8%
Stauffer's Supermarket	3	5.9%	Stauffer's Supermarket	3	5.8%
Scranton, PA (population: 545,500)			Scranton, PA (population: 547,900)		
Weis Markets (Mr. Z's)	12	16.6%	Weis Markets (Mr. Z's)	12	18.2%
Price Chopper	6	12.9%	Price Chopper	6	14.1%
Wegmans	2	11.7%	Wegmans	2	11.3%
Wal-Mart	3	11.0%	Wal-Mart	3	10.4%
Gerrity's Supermarkets	9	8.9%	Gerrity's Supermarkets	8	8.7%
York, PA (population: 426,200)			York, PA (population: 393,000)		
Royal Ahold (Giant, Martin's)	11	34.5%	Royal Ahold (Giant, Martin's)	11	35.3%
Wal-Mart	5	23.4%	Wal-Mart	5	21.1%
Weis Markets	10	17.7%	Weis Markets	10	18.2%
Sam's	1	3.7%	Sam's	1	3.8%
BJ's	1	3.6%	BJ's	1	3.3%
Binghamton, NY (population: 248,500)			Binghamton, NY (population: 248,800)		
Royal Ahold (Giant)	12	48.0%	Royal Ahold (Giant)	12	43.5%
Price Chopper	3	18.9%	Price Chopper	3	17.1%
Wal-Mart	1	11.0%	Wegmans	1	14.4%
Sam's	1	8.2%	Wal-Mart	1	9.9%
Penn Traffic	1	3.4%	Sam's	1	7.5%

Market share data provided by Metro Market Studies
www.metromarketstudies.com

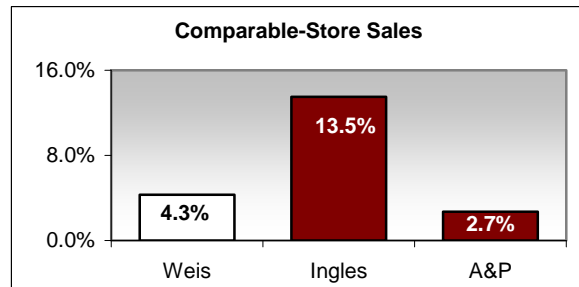
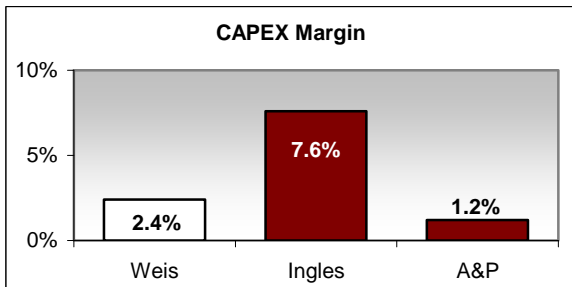
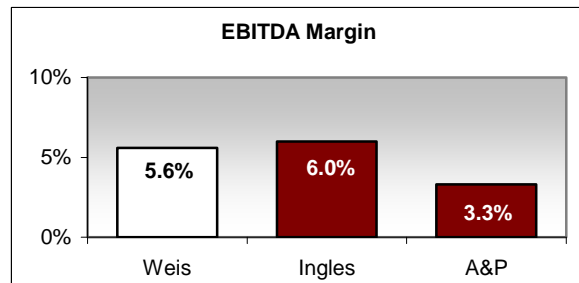
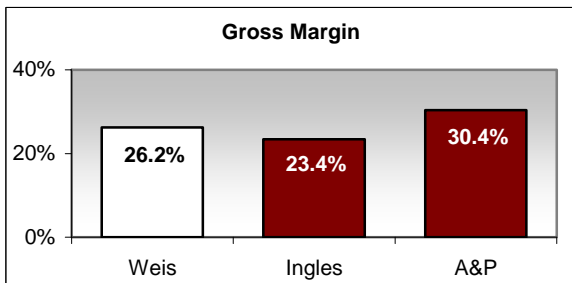
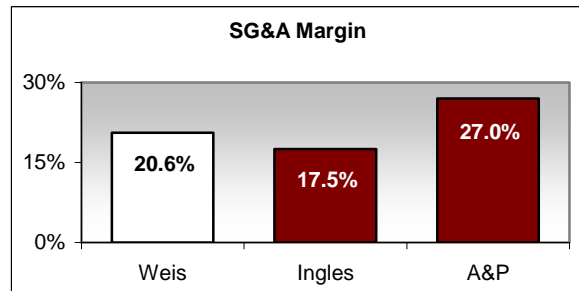
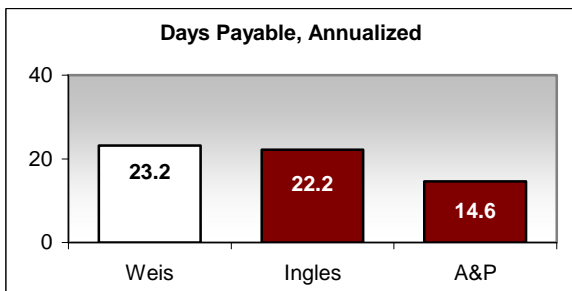
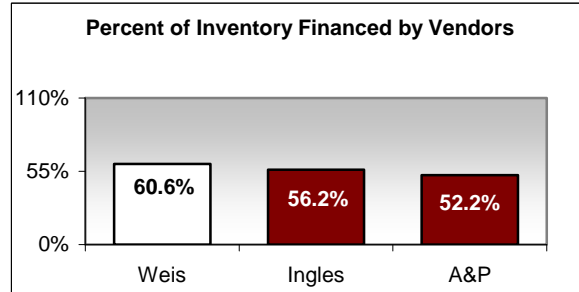
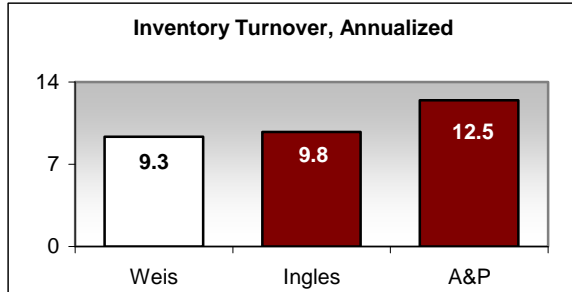
Selective Trend Analysis

The following graph shows a five-year sales trend for Weis Markets, while three-year trends are shown for other criteria and performance trends depicted in the Company's fiscal year-end financial statements.



Selective Peer Analysis

The graphs below show various performance, efficiency and liquidity measures for Weis Markets, compared to two peers Ingles Markets and A&P. All figures represent the trailing-twelve months from each company's most recently completed fiscal quarter. Weis' inventory and efficiency trends are in line with Ingles and both vary from the C&S supplied A&P. Weis' comps are solid though pale in comparison to the industry leading figures of Ingles while EBITDA margin is comparable and right around the industry average. The Company's growth strategy has never been excessive while capex margin is just shy of recent industry averages and may jump a bit with its recent acquisition announcement.



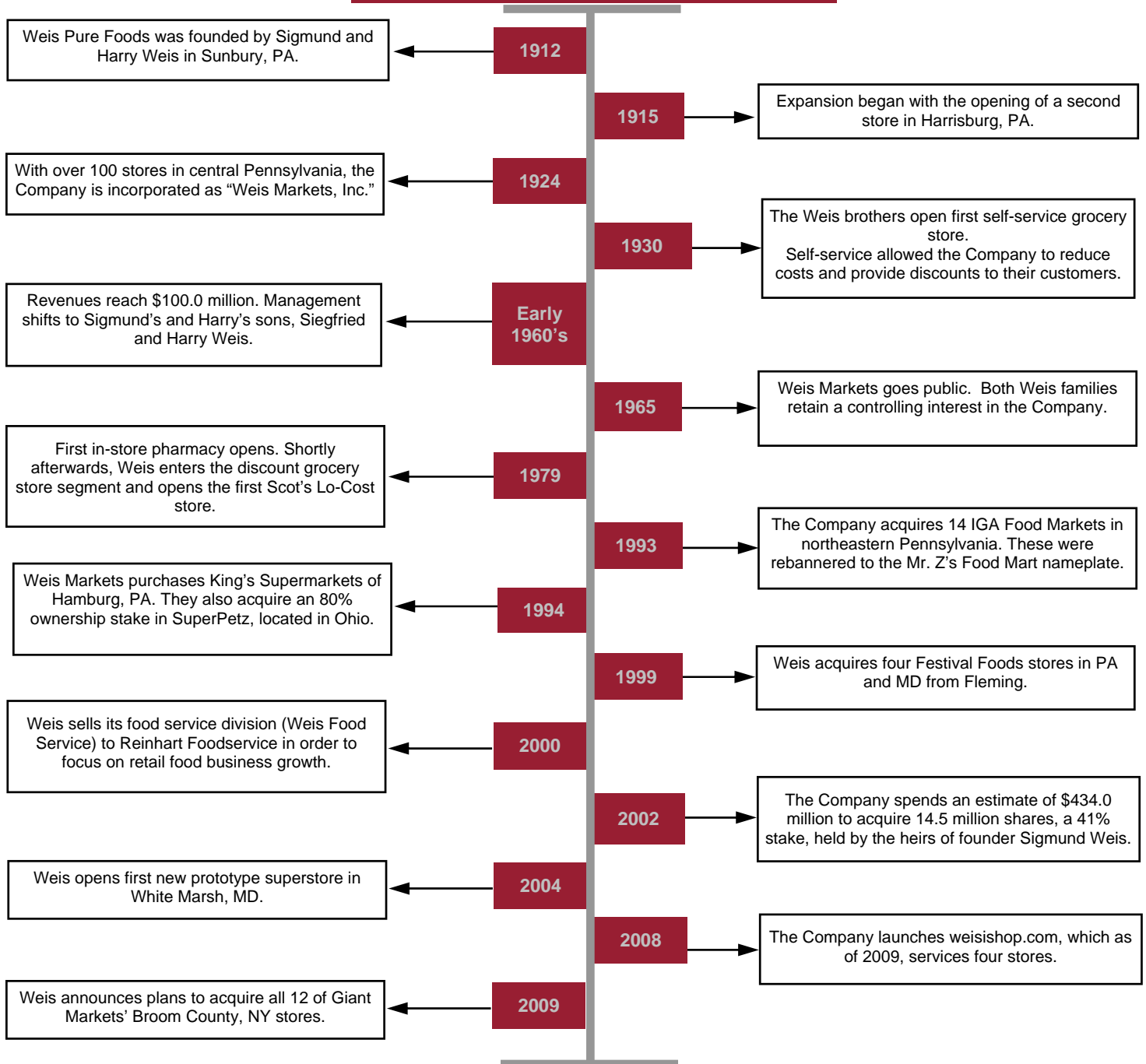
Abstract of F&D Company Report for Weis Markets

The following tables contain the **QuickScan** report on Weis Markets, abstracted from **F&D Reports'** Company Report for the first quarter ended March 28, 2009.

F&D Reports QuickScan

	13 Weeks Ended		% Change/ Difference	Trailing 12 Months
	3/28/2009	3/29/2008		
(Dollars in Millions)				
Operating Performance:				
Sales	\$ 606.2	\$ 595.7	1.8%	\$ 2,432.9
Comp Store Sales (% Change)	1.6%	3.9%		N.A.
Gross Margins	27.0%	25.6%	1.4%	26.2%
SG&A Margin	20.8%	21.5%	-0.7%	20.6%
EBITDA	\$ 37.7	\$ 24.7	52.6%	\$ 136.2
EBITDA Margin	6.2%	4.1%	2.1%	5.6%
Op. Income (Loss)	\$ 25.1	\$ 12.1	107.3%	\$ 81.1
Int. Exp. (Income)	\$ (0.4)	\$ (0.8)	51.2%	\$ (2.2)
Net Income (Loss)	\$ 16.5	\$ 9.1	82.4%	\$ 54.5
Interest Coverage	Net Int. Inc.	Net Int. Inc.	--	Net Int. Inc.
Capital Expenditures	\$ 8.2	\$ 18.0	-54.3%	\$ 57.2
Capex Margin	1.4%	3.0%	-1.6%	2.4%
Return on equity for period	2.5%	1.4%	1.1%	
Working Capital & Liquidity Indicators:				
Cash and Equivalents	\$ 117.0	\$ 63.3	84.9%	
Accounts Receivable	\$ 39.9	\$ 40.0	-0.2%	
Inventory	\$ 188.0	\$ 183.4	2.5%	
% Inventory financed by vendors	60.6%	63.0%	-2.4%	
Inventory turnover (annualized)	9.34	9.28	0.6%	
Accounts Payable	\$ 114.0	\$ 115.5	-1.3%	
Days Payable Outstanding	23.17	23.46	-1.2%	
Working capital	\$ 170.7	\$ 151.5	12.6%	
Current ratio	1.95	1.90	2.8%	
Debt & Leverage Ratios:				
Total Debt	\$ -	\$ -	N.A.	
Stockholders' Equity	\$ 668.5	\$ 648.5	3.1%	
Tangible Net Worth	\$ 648.7	\$ 628.5	3.2%	
Total debt to equity ratio	0.00	0.00	N.A.	
Total liabilities to equity ratio	0.31	0.30	2.7%	
Total debt to TTM EBITDA	0.00	0.00	N.A.	

Timeline of Major Events



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Customer & Insights

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Supervalu**

**Wal-Mart
BJ's Wholesale Club
Sam's Club
Wakefern
Penn Traffic**

2009

**H.E. Butt Grocery
C&S Wholesale Grocers
Kroger**

**Safeway
Supervalu
Royal Ahold**

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