



CreditRiskMonitor’s warning of Fred's, Inc.’s (“Fred’s”) bankruptcy risk was determined by a combination of factors:

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MONTHLY AVERAGE FRISK® SCORE

CreditRiskMonitor's FRISK® score had been warning of financial stress at Fred's, Inc. (OTC: FREDQ) for more than a year.

The company ultimately filed for bankruptcy on September 9, 2019.

Business Name	2018			2019								
	O	N	D	J	F	M	A	M	J	J	A	S
Fred's, Inc.	2	3	2	3	3	3	2	2	1	1	1	1

BANKRUPT!

The FRISK® score is 96% accurate* in predicting the risk of corporate failure/bankruptcy over a 12-month horizon. All FRISK® scores are recalculated every night for each subsequent 12-month period.

Probability of bankruptcy within 12 months			
	FRISK®	From	To
Best	10	0.00%	0.12%
	9	0.12%	0.27%
	8	0.27%	0.34%
	7	0.34%	0.55%
	6	0.55%	0.87%
	5	0.87%	1.40%
	4	1.40%	2.10%
	3	2.10%	4.00%
	2	4.00%	9.99%
Worst	1	9.99%	50.00%

While the percentage risk of bankruptcy varies at each FRISK® score, 96% of public companies that eventually go bankrupt enter the FRISK® "red zone" prior to filing. A FRISK® score of 5 or less is an important warning sign.

*FRISK® score accuracy of 96% is based on backtesting of U.S. public companies; results may vary by country.

THE FRISK® SCORE COMPONENTS

At the core of the CreditRiskMonitor process is our 96% accurate FRISK® score, which indicates a company's level of financial stress on a scale of 1 to 10, based on the probability of bankruptcy over a 12-month horizon. When available, the FRISK® score incorporates a number of powerful risk indicators including:

A “Merton” type model using stock market capitalization and volatility

Financial ratios, including those used in the Altman Z”-Score Model

Bond agency ratings from Moody’s, Fitch, & DBRS

Crowdsourced CreditRiskMonitor Usage Data

Crowdsourcing has enhanced the accuracy and timeliness of the FRISK® score. We collect and analyze data patterns from thousands of CreditRiskMonitor subscribers, including professionals from more than 35% of the Fortune 1000 and other large corporations worldwide.

The crowdsourcing advantage is even more powerful in our FRISK® score since many of the professionals who use our service are credit managers:

- Credit managers control one of the largest sources of working capital going into a company
- They are not held to the same “Fair Disclosure” restrictions that prevent non-disclosed information sharing on public companies
- Credit managers use a variety of non-public information sources such as their own company’s management and sales representatives to be alerted to concerns in a public company’s performance
- It is commonly known credit managers confidentially share information with other credit managers, thus collectively, their behavior helps to provide advanced insight to financial problems in public companies

[Read more in Credit Research Foundation’s quarterly journal article, “Assessing Public Company Financial Risk by Crowdsourcing the Research of Credit Professionals”](#)

COMPANY REPORT DETAIL

Fred's, Inc.

4300 Getwell Rd

Phone: (901) 365-8880

MEMPHIS, TN 38118-6801 United States

Ticker: FREDQ

Filed for Bankruptcy on 9/9/2019
Case #19-11984, filed in the U.S. Bankruptcy Court for the District of Delaware

Latest Financial Statements as of 5/4/2019

Business Summary

Fred's, Inc. (Fred's) is engaged in the sale of general merchandise through its retail discount stores and full-service pharmacies. The Company sells general merchandise to its over 11 franchisees. The Company has approximately 556 retail stores in over 15 states mainly in the Southeastern United States. The Company is licensed to dispense pharmaceuticals in approximately 14 states. Fred's general merchandise selection includes an array of staple and discretionary products from brand names and its private label. The Company's prescription drugs are ordered by its pharmacies individually and shipped directly from the Company's primary pharmaceutical wholesaler, Cardinal Health, Inc., to the pharmacies approximately five days a week. Fred's Brand products include health, beauty and personal care products, household cleaning supplies, disposable diapers, pet foods, paper products and a variety of general merchandise, food and beverage products.

Employees: 2,642 (as of 2/2/2019)

Incorporated: 6/22/1960

Federal Tax Id: 620634010

Credit Score History

Why are these scores different?

FRISK® Score Analysis

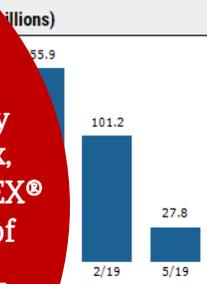
Score/ Index	2018			2019											
	O	N	D	J	F	M	A	M	J	J	A	S	O		
FRISK® Score*	2	3	2	3	3	3	2	2	1	1	1	1	F		
DBT Index	9	9	9	9	9	9	8	7	5	3	2	DBT	DBT		
Z"-Score	Z"	0.97		0.6				-1.79	Z"	Z"	Z"				

*FRISK® Scores are month-end

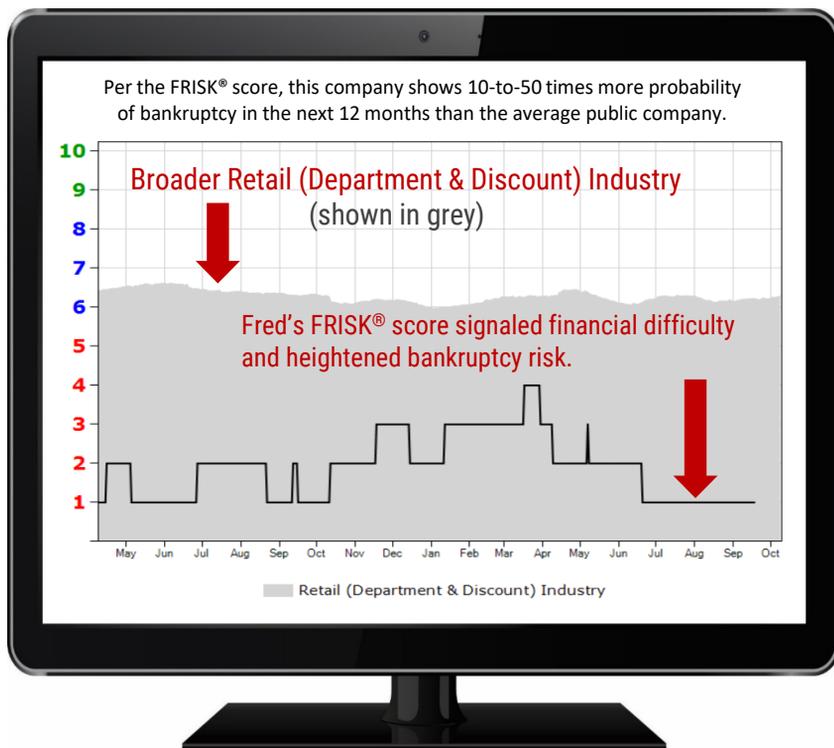
- Probability of bankruptcy within 12 months is 10% to 50%.
- Market Capitalization has declined by 89% over the last 12 months.
- Total Liabilities are 45 times larger than Market Capitalization.
- Financial statement ratios indicate financial stress.

The FRISK® score is a 96% accurate method by which to monitor public company bankruptcy risk.

Payment performance, captured by the Days Beyond Terms (DBT) index, which is very similar to D&B's PAYDEX® score, is not an effective indicator of financial stress for publicly traded companies since they often continue to pay on time right up until their bankruptcy filing. This is what's commonly called the "Cloaking Effect."



FRISK® DEEP DIVE



The FRISK® score relative to the broader Retail (Department & Discount) industry raised an additional red flag signaling heightened risk relative to peers, as well...

MAKING IMMEDIATE ATTENTION REQUIRED.

ADJUSTED MARKET CAP VOLATILITY



One of the inputs of the FRISK® score is a company's market cap volatility, adjusted for dividends, over the course of a year. Incorporating this information allows us to capture the "wisdom of markets" on a daily basis. This ensures our subscribers are getting the most up to date view of the risks they face since stocks tend to be more liquid and faster moving than bond prices and ratings.

PEER ANALYSIS ON ALTERNATE SUPPLIERS AND CUSTOMERS

The Peer Analysis expands to provide a ranking of a company's competitors, which can help provide options for alternate suppliers or new customers

Businesses Analysis: SIC classification: Variety stores

Calendar Year/Quarter: 2019.1

Businesses in Peer Group: 161	Ranking Within Peer Group	Number Of Peers Ranked	Company Value	Peer Group Range		
				Low	Median	High
Credit Ratings						
Z-Score	13	13	-1.79	-1.79	1.81	4.52
Performance ratios:						
Net Sales (Thousands of U.S. Dollars)	10	11	318,951	210,984	1,634,062	123,925,000
Gross Margin % Of Sales	11	14				
Gross Margin % Of Sales -- TTM	11	14				
SGA % Of Sales	12	14				
SGA % Of Sales -- TTM	12	14				
Operating Margin % Of Sales	14	14				
Operating Margin % Of Sales -- TTM	14	14				
EBITDA Margin Of Sales	13	13				
EBITDA Margin Of Sales -- TTM	13	13				
Net Profit Margin % Of Sales	14	14				
Net Profit Margin % Of Sales -- TTM	12	14				
Pre-tax Income % Of Sales	14	14				
Effective Tax Rate	2	14	-9.26	-9.26	4.98	17.27
Depreciation % Of Prop/Plant/Equipment	13	14	0.00	-1.59	23.34	36.97
Capital Expense % Of Prop/Plant/Equipment	2	14	17.95	6.38	9.11	22.77
Interest Coverage	11	14	5.08	4.74	10.95	38.58
Interest Coverage -- TTM	12	12	-7.87	-7.87	12.96	49.23
			-15.69	-15.69	18.84	188.66
Liquidity ratios:						
Cash Ratio	14	14	0.03	0.03	0.11	0.90
Quick Ratio	8	8	0.12	0.12	0.28	0.52
Current Ratio	8	14	1.11	0.77	1.13	2.00
Efficiency ratios:						
Accounts Receivable Turnover	6	8				
Days Sales Outstanding	12	14				
% of Inventory Financed by Vendors	8	13				
% of Inventory Financed by Vendors -- TTM	8	13				
Inventory Turnover	8	14				
Inventory Turnover -- TTM	10	14				
Days Sales in Inventory	8	14				
Inventory to Working Capital	8	14				
Accounts Payable Turnover	3	13				
Accounts Payable Turnover -- TTM	8	13				
			5.21	4.42	5.30	12.00
Leverage & debt coverage:						
Total Debt to Equity Ratio	10	13	1.00	0.00	0.72	1.57
Debt to Tangible Equity Ratio	9	13	1.26	0.00	1.12	11.85
Total Debt to Assets Ratio	8	14	0.20	0.00	0.18	0.97
Short-Term Debt % of Total Debt	12	12	84.82	0.02	16.13	84.82
Short-Term Debt % of Working Capital	8	13	290.06	-340.13	0.11	2,453.70
Liabilities to Net Worth Ratio	11	13	5.05	0.68	2.74	37.77
Total Liabilities to Equity Ratio	13	13	4.02	0.50	2.13	4.02
TTM EBITDA to Total Debt	12	12	-1.46	-1.46	0.52	298.15
Net Debt to TTM EBITDA		11		-1.25	1.16	4.51

Rank	Company Name
1	Ollie's Bargain Outlet Holdings Inc
2	PriceSmart, Inc.
3	Costco Wholesale Corporation
4	Target Corporation
5	Dollar General Corp.

Rank	Company Name
1	Dollar General Corp.
2	Big Lots, Inc.
3	Cencosud SA
4	Target Corporation
5	Walmart Inc

Green - Ranked in Upper Quartile of Peer Group
 White - Ranked in the Middle Two Quartiles of Peer Group
 Red - Ranked in Lower Quartile of Peer Group
 Orange - Confidential
 Grey - Data is Not Available

TTM = trailing 12 months
 N/A = Not Available

Fred's, Inc. demonstrates bottom quartile ranking in key financial ratios (shown in red) versus its industry peers.

QUARTERLY PERFORMANCE RATIOS

Q4 2018 net income, due to asset divestitures, was not enough to offset sequential quarter net losses

Performance Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	13 weeks 5/4/2019	13 weeks 2/2/2019	13 weeks 11/3/2018	26 weeks 8/4/2018	13 weeks 5/5/2018
Net Sales \$	\$318,951	\$307,092	\$306,413	n/a	\$336,399
% change	3.86%	0.22%	n/a	n/a	-9.29%
Gross Margin \$	\$74,599	\$71,713	\$76,967	n/a	\$89,070
% change	4.02%	-6.83%	n/a	n/a	-3.26%
% of sales	23.39%	23.35%	25.12%	n/a	26.48%
change as % of incremental sales	24.34%	-773.79%	n/a	n/a	n/m
SG&A \$	\$96,036	\$96,244	\$98,008	n/a	\$100,941
% change	-0.22%	-1.80%	n/a	n/a	-0.76%
% of sales	30.11%	31.34%	31.99%	n/a	30.01%
change as % of incremental sales	-1.75%	-259.79%	n/a	n/a	n/m
Operating margin \$	(\$26,789)	(\$65,028)	(\$28,673)	n/a	(\$20,171)
% change	58.80%	-126.79%	n/a	n/a	4.40%
% of sales	-8.40%	-21.18%	-9.36%	n/a	-6.00%
change as % of incremental sales	322.45%	-5,354.20%	n/a	n/a	n/m
EBITDA \$	(\$21,685)	(\$57,774)	(\$24,496)	n/a	(\$11,857)
% change	62.47%	-135.85%	n/a	n/a	2.27%
% of sales	-6.80%	-18.81%	-7.99%	n/a	-3.52%
change as % of incremental sales	304.32%	-4,901.03%	n/a	n/a	n/m
EBIT \$	(\$26,789)	(\$65,028)	(\$28,673)	n/a	(\$20,171)
% change	58.80%	-126.79%	n/a	n/a	4.40%
% of sales	-8.40%	-21.18%	-9.36%	n/a	-6.00%
change as % of incremental sales	322.45%	-5,354.20%	n/a	n/a	n/m
Pre-tax income \$	(\$29,543)	(\$66,828)	(\$30,746)	n/a	(\$22,159)
% change	55.79%	-117.36%	n/a	n/a	3.77%
% of sales	-9.26%	-21.76%	-10.03%	n/a	-6.59%
change as % of incremental sales	314.40%	-5,313.99%	n/a	n/a	n/m
Net income (loss) \$	(\$33,940)	\$68,727	(\$27,379)	n/a	(\$22,011)
% change	-149.38%	351.02%	n/a	n/a	32.05%
% of sales	-10.64%	22.38%	-8.94%	n/a	n/a
change as % of incremental sales	-865.73%	14,154.05%	n/a	n/a	n/m
Tax expense \$	\$0	\$406	\$71	n/a	\$1,000
Effective tax rate	0.00%	-0.61%	-0.23%	n/a	0.29%
Depreciation expense \$	\$5,104	\$7,254	\$7,632	n/a	\$8,000
% of sales	1.60%	2.36%	2.49%	n/a	2.38%
% of capital expenses	353.46%	489.47%	293.31%	n/a	300.00%
% of PP&E, net (annualized)	17.95%	33.84%	28.66%	n/a	28.66%
Capital expenditures \$	\$1,444	\$1,482	\$2,602	\$2,602	\$2,602
% change	-2.56%	-43.04%	n/a	n/a	n/a
% of PP&E, net (annualized)	5.08%	6.91%	9.77%	8.94%	8.94%
% of working capital (annualized)	8.95%	4.61%	6.65%	6.29%	6.23%
Interest coverage ratio	(7.87)	(32.10)	(11.82)	n/a	(5.96)
% change	75.47%	-171.62%	n/a	n/a	5.32%
Free cash flow \$	(\$20,007)	(\$63,228)	(\$18,721)	(\$36,274)	(\$8,775)
% change	68.36%	-237.74%	n/a	n/a	-434.41%
Source:	10-Q 6/18/2019	10-K 5/3/2019	10-Q 12/13/2018	10-Q 6/18/2019	10-Q 6/18/2019

Negative interest coverage ratio & negative free cash flow

QUARTERLY LEVERAGE RATIOS

Inadequate working capital to meet short term liabilities in 4 of the last 5 quarters

Total liabilities to equity & total liabilities to tangible net worth ratios signaled heightened risk in the last 5 quarters

Leverage Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	10/29/2016	7/30/2016	4/30/2016	1/30/2016	10/31/2015
Total debt \$	\$85,471	\$63,405	\$53,550	\$45,735	\$66,167
% change	34.80%	18.40%	17.09%	-30.88%	10.54%
Stockholders' equity \$	\$22,710	\$27,346	\$33,280	\$34,894	\$34,091
% change	-16.95%	-17.83%	-4.63%	2.36%	-6.61%
Total debt to equity ratio	3.76	2.32	1.61	1.31	1.94
% change	62.32%	44.09%	22.77%	-32.47%	18.36%
Tangible net worth \$	\$20,890	\$25,526	\$31,460	\$33,074	\$32,271
% change	-18.16%	-18.86%	-4.88%	2.49%	-6.95%
Total debt to tangible net worth	4.09	2.48	1.70	1.38	2.05
% change	64.72%	45.92%	23.10%	-32.56%	18.80%
Total assets \$	\$274,805	\$243,748	\$232,006	\$229,172	\$289,408
% change	12.74%	5.06%	1.24%	-20.81%	15.20%
Total debt to assets ratio	0.31	0.26	0.23	0.20	0.23
% change	19.57%	12.70%	15.63%	-12.69%	-4.07%
Tangible assets \$	\$272,985	\$241,928	\$230,186	\$227,352	\$287,588
% change	12.84%	5.10%	1.25%	-20.95%	15.31%
Short-term debt \$	\$59,397	\$36,921	\$26,641	\$18,390	\$37,739
% change	60.88%	38.59%	44.87%	-51.27%	19.01%
Short-term debt % of total debt	69.49%	58.23%	49.75%	40.21%	57.04%
% change	19.34%	17.05%	23.73%	-29.50%	7.66%
Short-term debt % of working capital	8,878.48%	671.54%	151.76%	82.76%	219.76%
% change	1,222.12%	342.51%	83.37%	-62.34%	42.09%
Total liabilities \$	\$252,095	\$216,402	\$198,726	\$194,278	\$255,317
% change	16.49%	8.89%	2.29%	-23.91%	18.91%
Total liabilities to equity ratio	11.10	7.91	5.97	5.57	7.49
% change	40.27%	32.53%	7.25%	-25.66%	27.31%
Total liabilities to tangible net worth ratio	12.07	8.48	6.32	5.87	7.91
% change	42.35%	34.21%	7.54%	-25.76%	27.79%
Source:	10-Q 12/8/2016	10-Q 9/8/2016	10-Q 6/8/2016	10-Q 6/8/2016	10-Q 12/10/2015

QUARTERLY LIQUIDITY RATIOS AND RATES OF RETURN

Working capital drastically decreases

Insufficient cash and quick ratios

Liquidity Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	5/4/2019	2/2/2019	11/3/2018	8/4/2018	5/5/2018
Current assets \$	\$288,455	\$315,327	\$330,787	\$346,104	\$392,741
% change	-8.52%	-4.67%	-4.43%	-11.87%	2.03%
% of short-term debt	357.75%	537.72%	486,451.47%	508,976.47%	595,062.12%
Current liabilities \$	\$260,657	\$214,100	\$174,893	\$189,080	\$237,031
% change	21.75%	22.42%	-7.50%	-20.23%	5.90%
Working capital \$	\$27,798	\$101,227	\$155,894	\$157,024	\$155,710
% change	-72.54%	-35.07%	-0.72%	0.84%	-3.35%
% of sales (annualized)	2.18%	8.24%	12.72%	n/a	11.57%
Cash \$	\$7,184	\$5,353	\$6,182	\$5,781	\$6,078
% change	34.21%	-13.41%	6.94%	-4.89%	-7.53%
% of short-term debt	8.91%	9.13%	9,091.18%	8,501.47%	9,209.09%
Cash ratio	0.03	0.03	0.04	0.03	0.03
% change	10.40%	-29.18%	15.36%	19.53%	-12.93%
Quick assets \$	\$30,427	\$28,323	\$44,450	\$41,866	\$40,159
% change	7.43%	-36.28%	6.17%	4.25%	-9.33%
% of short-term debt	37.74%	48.30%	65,367.65%	61,567.65%	60,846.97%
Quick ratio	0.12	0.13	0.25	0.22	0.17
% change	-11.79%	-47.95%	14.81%	30.70%	-14.40%
Current ratio	1.11	1.47	1.89	1.83	1.66
% change	-24.86%	-22.13%	3.33%	10.48%	-3.65%
Source:	10-Q 6/18/2019	10-K 5/3/2019	10-Q 12/13/2018	10-Q 9/18/2018	10-Q 6/14/2018

Q4 2018 positive rates of return were overshadowed by other quarterly losses

Rate of Return - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	13 weeks 5/4/2019	13 weeks 2/2/2019	13 weeks 11/3/2018	26 weeks 8/4/2018	13 weeks 5/5/2018
Return on equity	-20.51%	67.40%	-21.24%	n/a	-12.16%
% change	-130.43%	417.28%	n/a	n/a	18.07%
Return on net tangible equity	-23.57%	89.50%	-33.11%	0.00%	-17.45%
% change	-126.33%	370.34%	n/a	n/a	42.45%
Return on total assets	-7.68%	15.48%	-5.58%	0.00%	-3.69%
% change	-149.62%	377.22%	n/a	n/a	28.76%
Return on tangible assets	-8.05%	16.34%	-6.02%	0.00%	-4.04%
% change	-149.29%	371.30%	n/a	n/a	32.25%
Source:	10-Q 6/18/2019	10-K 5/3/2019	10-Q 12/13/2018	10-Q 6/18/2019	10-Q 6/18/2019

NOTE: For certain periods * % change and/or * change as % of incremental sales are not calculated where there is either (1) a change in accounting standard, (2) a change in currency, or (3) a significant variance in period length between the period in question and the preceding period.

YEAR-OVER-YEAR STATEMENT OF CASH FLOWS

Recurring
negative
cash from
operating
activities

Statement of Cash Flows - Year-over-Year - Standardized - Year to Date

(Thousands of U.S. Dollars)

Period Ended	13 weeks 5/4/2019	13 weeks 5/5/2018	13 weeks 4/29/2017	13 weeks 4/30/2016	13 weeks 5/2/2015
		Reclassified 5/4/2019	Reclassified 5/5/2018	Reclassified 4/29/2017	
Cash Flows from Operating Activities:					
Net income	(\$29,543)	(\$21,963)	(\$37,771)	\$1,256	(\$29)
Depreciation/depletion	5,104	8,314	10,891	11,563	10,883
Deferred taxes	(15)	0	985	(1,380)	(160)
Non-cash Items	(3,555)	6,971	3,292	1,562	(1,242)
Changes in working capital	9,446	371	4,617	(6,127)	(19,087)
Total cash from operating activities	(18,563)	(6,307)	(17,986)	6,874	(9,635)
Cash Flows from Investing Activities:					
Capital expenditures	(1,444)	(2,468)	(3,976)	(8,309)	(8,359)
Other investing cash flow items, total	90	0	1,239	278	(42,695)
Total cash from investing activities	(1,354)	(2,468)	(2,737)	(8,031)	(51,054)
Cash Flows from Financing Activities:					
Financing cash flow items	(260)	(256)	(4,380)	n/a	(216)
Total cash dividends paid	n/a	n/a	(2,280)	(2,233)	(2,219)
Issuance/retirement of stock, net	0	(31)	(115)	75	1,965
Issuance/retirement of debt, net	22,008	8,567	28,308	4,166	61,838
Total cash from financing activities	21,748	8,280	21,533	2,008	61,368
Net change in cash	1,831	(495)	810	851	679
Net cash-beginning balance	5,353	6,573	5,830	5,917	6,440
Net cash-ending balance	\$7,184	\$6,078	\$6,640	\$6,768	\$7,119
Supplemental Disclosures:					
Cash interest paid	\$1,114	\$6,297	\$1,287	\$515	\$262
Cash taxes paid, supplemental	\$0	(\$1,721)	(\$1,169)	\$518	\$144
Source:	10-Q 6/18/2019	10-Q 6/18/2019	10-Q 6/14/2018	10-Q 6/8/2017	10-Q 6/11/2015

NEWS ALERTS: A TIMELINE OF CONCERNING NEWS ITEMS

Fred's Q3 2018 net loss was \$27.4 million; its year-to-date net loss was \$81.7 million.		
12/15/2018	CRMZ News Service	Fred's, Inc. -- updated financials available
Fred's announced key changes to its top leadership including the appointment of a new CEO, CFO, COO, and CSO.		
2/1/2019	Globe Newswire	Fred's, Inc. Announces Appointment of Chief Executive Officer and Other Key Leadership Changes
Fred's, Inc. hired a financial adviser as it looked to downsize its store footprint and turn around its business in the face of falling net sales in recent years.		
4/5/2019	CRMZ News Service	Retailer Fred's Hires Adviser As It Tries To Turn Around Business
The audit report for the financial statements in Fred's Form 10-K filing for FYE 2/2/19 included an explanatory paragraph indicating that there was substantial doubt about the Company's ability to continue as a going concern.		
5/6/2019	CRMZ News Service	Fred's, Inc. Receives Going Concern Opinion
The day after announcing it would be closing 104 stores, Fred's hired a consultant specializing in corporate finance, strategy, and operations. A bankruptcy filing was among the options explored.		
5/17/2019	CRMZ News Service	Discount Retailer Fred's Brings On Turnaround Adviser BRG
Following the release of Fred's Q1 2019 financial results, its FRISK[®] score was downgraded to a 1, indicating a probability of bankruptcy within the next 12 months that was 10-to-50 times greater than the average public company.		
6/20/2019	CRMZ News Service	Fred's, Inc. -- updated financials available
In a move designed to stabilize its business by refocusing its product mix, simplifying its store portfolio, and repaying debt, Fred's announced it was closing an additional 129 stores and holding storewide inventory clearance sales.		
7/12/2019	Globe Newswire	Fred's to Close an Additional 129 Stores and Hold Inventory Clearance Sales Across All Stores
Fred's CFO resigned but stayed on as a consultant as the Company wrestled with falling sales and heavy debt.		
9/3/2019	CRMZ News Service	CFO resigns from discount retailer Fred's
Fred's Inc. filed for bankruptcy		
9/9/2019	CRMZ News Service	Fred's, Inc.: Chapter 11 Petition filed on 9/9/2019

MANAGEMENT DISCUSSION AND ANALYSIS

One feature of the CreditRiskMonitor service is the ability to quickly access a Company's Management Discussion and Analysis (MD&A) history.

The MD&A represents the thoughts and opinions of management, and provides a forecast of future operations, and therefore these statements can't typically be falsified. According to the Financial Accounting Standards Board (FASB), "MD&A should provide a balanced presentation that includes both positive and negative information about the topics discussed."

Sarbanes-Oxley subjects CEOs and CFOs to jail and monetary penalties for certifying misleading or fraudulent reports

Report

Fred's, Inc.
4300 Getwell Rd
MEMPHIS, TN 38118-6801 United States
Phone: (901) 365-8880

Filed for Bankruptcy on 9/9/2019
Case #19-11984, filed in the U.S. Bankruptcy Court for the District of Delaware

Management Discussion and Analysis

For the period ended 5/4/2019

As referenced below under the heading "Going Concern," **the audit report prepared by our auditors with respect to the financial statements in our Annual Report on Form 10-K, filed on May 3, 2019 with the SEC, includes an explanatory paragraph indicating that there is substantial doubt about Fred's ability to continue as a going concern.** The receipt of this explanatory paragraph with respect to Fred's financial statements for the year ended February 2, 2019 resulted in a breach of a covenant under the Revolving Credit Agreement that requires annual financial statements accompanied by an unqualified audit report to be delivered to the lenders within 120 days of fiscal year end and a breach of this covenant constituted an event of default under the Revolving Credit Agreement (the "Going Concern Event of Default").

ABOUT THIS REPORT/CONTACT CREDITRISKMONITOR



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CreditRiskMonitor Bankruptcy Case Studies provide post-filing analyses of public company bankruptcies. Our case studies educate subscribers about methods they can apply to assess bankruptcy risk using CreditRiskMonitor's proprietary **FRISK®** score, robust financial database and timely news alerts.

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