

SpartanNash Co
Form 10-Q
November 08, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 6, 2018.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____ .

Commission File Number: 000-31127

SPARTANNASH COMPANY

(Exact Name of Registrant as Specified in Its Charter)

Michigan	38-0593940
(State or Other Jurisdiction of	(I.R.S. Employer
Incorporation or Organization)	Identification No.)
850 76 th Street, S.W.	
P.O. Box 8700	
Grand Rapids, Michigan	49518
(Address of Principal Executive Offices)	(Zip Code)

(616) 878-2000

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 6, 2018, the registrant had 35,939,837 outstanding shares of common stock, no par value.

FORWARD-LOOKING STATEMENTS

The matters discussed in this Quarterly Report on Form 10-Q, in the Company's press releases and in the Company's website-accessible conference calls with analysts and investor presentations include "forward-looking statements" about the plans, strategies, objectives, goals or expectations of SpartanNash Company and subsidiaries ("SpartanNash" or "the Company"). These forward-looking statements are identifiable by words or phrases indicating that SpartanNash or management "expects," "anticipates," "plans," "believes," or "estimates," or that a particular occurrence or event "will," "may," "could," "should" or "will likely" result, occur or be pursued or "continue" in the future, that the "outlook" or "trend" is toward a particular result or occurrence, that a development is an "opportunity," "priority," "strategy," "focus," that the Company is "positioned" for a particular result, or similarly stated expectations. Accounting estimates, such as those described under the heading "Critical Accounting Policies" in Part I, Item 2 of this Quarterly Report on Form 10-Q, are inherently forward-looking. The Company's asset impairment and restructuring cost provisions are estimates and actual costs may be more or less than these estimates and differences may be material. Undue reliance should not be placed on these forward-looking statements, which speak only as of the date of the Quarterly Report, other report, release, presentation, or statement.

In addition to other risks and uncertainties described in connection with the forward-looking statements contained in this Quarterly Report on Form 10-Q, SpartanNash's Annual Report on Form 10-K for the fiscal year ended December 30, 2017 and other periodic reports filed with the Securities and Exchange Commission ("SEC"), there are many important factors that could cause actual results to differ materially. These risks and uncertainties include general business conditions, changes in overall economic conditions that impact consumer spending, the Company's ability to integrate acquired assets, the impact of competition and other factors which are often beyond the control of the Company, and other risks listed in the "Risk Factors" discussion in Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2017 and risks and uncertainties not presently known to the Company or that the Company currently deems immaterial.

This section and the discussions contained in Item 1A "Risk Factors" of the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2017 and in Part I, Item 2 "Critical Accounting Policy" of the Quarterly Report on Form 10-Q, are intended to provide meaningful cautionary statements for purposes of the safe harbor provision of the Private Securities Litigation Reform Act of 1995. This should not be construed as a complete list of all the economic, competitive, governmental, technological and other factors that could adversely affect the Company's expected consolidated financial position, results of operations or liquidity. Additional risks and uncertainties not currently known to SpartanNash or that SpartanNash currently believes are immaterial also may impair its business, operations, liquidity, financial condition and prospects. The Company undertakes no obligation to update or revise its forward-looking statements to reflect developments that occur or information obtained after the date of this Quarterly Report.

PART I

FINANCIAL INFORMATION

ITEM 1. Financial Statements

SPARTANNASH COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	October 6, 2018	December 30, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 20,673	\$ 15,667
Accounts and notes receivable, net	363,951	344,057
Inventories, net	592,152	597,162
Prepaid expenses and other current assets	43,333	47,400
Property and equipment held for sale	8,654	—
Total current assets	1,028,763	1,004,286
Property and equipment, net	577,285	600,240
Goodwill	178,648	178,648
Intangible assets, net	130,227	134,430
Other assets, net	139,118	138,193
Total assets	\$ 2,054,041	\$ 2,055,797
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 411,399	\$ 376,977
Accrued payroll and benefits	60,086	65,156
Other accrued expenses	38,498	43,252
Current maturities of long-term debt and capital lease obligations	8,135	9,196
Total current liabilities	518,118	494,581
Long-term liabilities		
Deferred income taxes	51,634	42,050
Postretirement benefits	16,337	15,687
Other long-term liabilities	36,693	40,774
Long-term debt and capital lease obligations	694,889	740,755
Total long-term liabilities	799,553	839,266

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Commitments and contingencies (Note 7)

Shareholders' equity

Common stock, voting, no par value; 100,000 shares

authorized; 35,938 and 36,466 shares outstanding	483,175	497,093
Preferred stock, no par value, 10,000 shares authorized; no shares outstanding	—	—
Accumulated other comprehensive loss	(14,926)	(15,136)
Retained earnings	268,121	239,993
Total shareholders' equity	736,370	721,950

Total liabilities and shareholders' equity	\$ 2,054,041	\$ 2,055,797
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See accompanying notes to condensed consolidated financial statements.

SPARTANNASH COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	12 Weeks Ended		40 Weeks Ended	
	October 6, 2018	October 7, 2017	October 6, 2018	October 7, 2017
Net sales	\$ 1,886,730	\$ 1,868,398	\$ 6,167,756	\$ 6,078,299
Cost of sales	1,630,588	1,606,706	5,302,740	5,188,205
Gross profit	256,142	261,692	865,016	890,094
Operating expenses				
Selling, general and administrative	228,583	228,545	773,844	782,856
Merger/acquisition and integration	521	2,392	3,531	7,031
Goodwill impairment	—	189,027	—	189,027
Restructuring charges and asset impairment	232	35,626	5,269	36,633
Total operating expenses	229,336	455,590	782,644	1,015,547
Operating earnings (loss)	26,806	(193,898)	82,372	(125,453)
Other expenses and (income)				
Interest expense	7,082	6,130	22,828	19,128
Other, net	(195)	(131)	(655)	(445)
Total other expenses, net	6,887	5,999	22,173	18,683
Earnings (loss) before income taxes and discontinued operations	19,919	(199,897)	60,199	(144,136)
Income tax expense (benefit)	2,374	(76,445)	12,381	(56,809)
Earnings (loss) from continuing operations	17,545	(123,452)	47,818	(87,327)
Loss from discontinued operations, net of taxes	(80)	(54)	(238)	(125)
Net earnings (loss)	\$ 17,465	\$ (123,506)	\$ 47,580	\$ (87,452)
Basic earnings (loss) per share:				
Earnings (loss) from continuing operations	\$ 0.49	\$ (3.31)	\$ 1.33	\$ (2.32)
Loss from discontinued operations	—	(0.01)*	(0.01)	(0.01)*
Net earnings (loss)	\$ 0.49	\$ (3.32)	\$ 1.32	\$ (2.33)
Diluted earnings (loss) per share:				
Earnings (loss) from continuing operations	\$ 0.49	\$ (3.31)	\$ 1.33	\$ (2.32)
Loss from discontinued operations	—	(0.01)*	(0.01)	(0.01)*
Net earnings (loss)	\$ 0.49	\$ (3.32)	\$ 1.32	\$ (2.33)

* Includes rounding

See accompanying notes to condensed consolidated financial statements.

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SPARTANNASH COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	12 Weeks Ended		40 Weeks Ended	
	October	October 7,	October	October
	6, 2018	2017	6, 2018	7, 2017
Net earnings (loss)	\$ 17,465	\$ (123,506)	\$ 47,580	\$ (87,452)
Other comprehensive income, before tax				
Pension and postretirement liability adjustment	83	31	278	103
Income tax expense related to items of other comprehensive income	(20)	(12)	(68)	(39)
Total other comprehensive income, after tax	63	19	210	64
Comprehensive income (loss)	\$ 17,528	\$ (123,487)	\$ 47,790	\$ (87,388)

See accompanying notes to condensed consolidated financial statements.

SPARTANNASH COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(In thousands)

(Unaudited)

	Shares Outstanding	Common Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance at December 30, 2017	36,466	\$ 497,093	\$ (15,136)	\$ 239,993	\$ 721,950
Net earnings	—	—	—	47,580	47,580
Other comprehensive income	—	—	210	—	210
Dividends - \$0.54 per share	—	—	—	(19,452)	(19,452)
Share repurchases	(952)	(20,000)	—	—	(20,000)
Stock-based employee compensation	—	7,040	—	—	7,040
Issuances of common stock for stock bonus plan and associate stock purchase plan	34	672	—	—	672
Issuances of restricted stock	482	—	—	—	—
Cancellations of stock-based awards	(92)	(1,630)	—	—	(1,630)
Balance at October 6, 2018	35,938	\$ 483,175	\$ (14,926)	\$ 268,121	\$ 736,370

See accompanying notes to condensed consolidated financial statements.

SPARTANNASH COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	40 Weeks Ended	
	October 6, 2018	October 7, 2017
Cash flows from operating activities		
Net earnings (loss)	\$ 47,580	\$ (87,452)
Loss from discontinued operations, net of tax	238	125
Earnings (loss) from continuing operations	47,818	(87,327)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Non-cash goodwill/asset impairment, restructuring, and other charges	5,496	225,101
Depreciation and amortization	64,457	66,366
LIFO expense	2,349	2,474
Postretirement benefits expense	852	1,276
Deferred taxes on income	9,584	(62,257)
Stock-based compensation expense	7,040	8,593
Postretirement benefit plan contributions	(1,771)	(280)
Other, net	(108)	(86)
Changes in operating assets and liabilities:		
Accounts receivable	(17,852)	(44,737)
Inventories	2,098	(49,442)