

WEIS MARKETS INC
Form 10-Q
May 06, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 27, 2010**

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 1-5039

WEIS MARKETS, INC.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA

(State or other jurisdiction of incorporation or
organization)

24-0755415

(I.R.S. Employer Identification No.)

1000 S. Second Street
P. O. Box 471

Sunbury, Pennsylvania

(Address of principal executive offices)

17801-0471

(Zip Code)

Registrant's telephone number, including area code: (570) 286-4571
www.weismarkets.com

Registrant's web address:

Not Applicable

(Former name, former address and former fiscal year, if changed since last report.)

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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 May 6, 2010, there were issued and outstanding 26,898,492 shares of the registrant's common stock.

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PART I - FINANCIAL INFORMATION
ITEM I - FINANCIAL STATEMENTS
WEIS MARKETS, INC.
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	<u>March 27, 2010</u>	<u>December 26, 2009</u>
	(unaudited)	
<u>Assets</u>		
Current:		
Cash and cash equivalents	\$ 90,146	\$ 67,065
Marketable securities	16,170	18,079
Accounts receivable, net	44,996	52,215
Inventories	216,510	223,015
Prepaid expenses	<u>7,018</u>	<u>6,254</u>
Total current assets	<u>374,840</u>	<u>366,628</u>
Property and equipment, net	510,264	510,882
Goodwill	35,162	35,162
Intangible and other assets, net	<u>3,742</u>	<u>3,843</u>
Total assets	\$ <u>924,008</u>	\$ <u>916,515</u>
<u>Liabilities</u>		
Current:		
Accounts payable	\$ 119,276	\$ 130,685
Accrued expenses	33,177	30,227
Accrued self-insurance	21,424	21,998
Deferred revenue, net	4,166	6,731
Income taxes payable	10,349	484
Deferred income taxes	<u>3,898</u>	<u>3,344</u>
Total current liabilities	<u>192,290</u>	<u>193,469</u>
Postretirement benefit obligations	14,038	13,850
Deferred income taxes	<u>17,660</u>	<u>18,432</u>
Total liabilities	<u>223,988</u>	<u>225,751</u>
<u>Shareholders' Equity</u>		
Common stock, no par value, 100,800,000 shares authorized, 33,047,807 shares issued	9,949	9,949
Retained earnings	836,624	827,042
Accumulated other comprehensive income (Net of deferred taxes of \$3,051 in 2010 and \$3,283 in 2009)	<u>4,302</u>	<u>4,628</u>
	850,875	841,619
Treasury stock at cost, 6,149,315 shares	<u>(150,855)</u>	<u>(150,855)</u>
Total shareholders' equity	<u>700,020</u>	<u>690,764</u>
Total liabilities and shareholders' equity	\$ <u>924,008</u>	\$ <u>916,515</u>

See accompanying notes to consolidated financial statements.

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WEIS MARKETS, INC.
CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(dollars in thousands, except shares and per share amounts)

	13 Weeks Ended	
	March 27, 2010	March 28, 2009
Net sales	\$ 664,256	\$ 606,239
Cost of sales, including warehousing and distribution expenses	<u>484,325</u>	<u>442,527</u>
Gross profit on sales	179,931	163,712
Operating, general and administrative expenses	<u>153,251</u>	<u>138,553</u>
Income from operations	26,680	25,159
Investment income	<u>591</u>	<u>387</u>
Income before provision for income taxes	27,271	25,546
Provision for income taxes	<u>9,889</u>	<u>9,028</u>
Net income	\$ <u>17,382</u>	\$ <u>16,518</u>
Weighted-average shares outstanding, basic	26,898,492	26,958,519
Weighted-average shares outstanding, diluted	26,898,532	26,958,519
Cash dividends per share	\$ 0.29	\$ 0.29
Basic and diluted earnings per share	\$ 0.65	\$ 0.61

See accompanying notes to consolidated financial statements.

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WEIS MARKETS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(dollars in thousands)

	13 Weeks Ended	
	<u>March 27, 2010</u>	<u>March 28, 2009</u>
Cash flows from operating activities:		
Net income	\$ 17,382	\$ 16,518
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	11,648	10,953
Amortization	1,549	1,565
Loss on disposition of fixed assets	---	45
Gain on sale of marketable securities	(223)	---
Changes in operating assets and liabilities:		
Inventories	6,505	(573)
Accounts receivable and prepaid expenses	6,455	5,117
Accounts payable and other liabilities	(11,410)	16,812
Income taxes payable	9,865	6,612
Deferred income taxes	14	(2,034)
Other	<u>23</u>	<u>(108)</u>
Net cash provided by operating activities	<u>41,808</u>	<u>54,907</u>
Cash flows from investing activities:		
Purchase of property and equipment	(12,488)	(8,241)
Proceeds from the sale of property and equipment	10	216
Proceeds from maturities of marketable securities	1,210	2,197
Proceeds from the sale of marketable securities	<u>341</u>	<u>---</u>
Net cash used in investing activities	<u>(10,927)</u>	<u>(5,828)</u>
Cash flows from financing activities:		
Dividends paid	(7,800)	(7,820)
Purchase of treasury stock	<u>---</u>	<u>(837)</u>
Net cash used in financing activities	<u>(7,800)</u>	<u>(8,657)</u>
Net increase in cash and cash equivalents	23,081	40,422
Cash and cash equivalents at beginning of year	<u>67,065</u>	<u>59,351</u>
Cash and cash equivalents at end of period	\$ <u>90,146</u>	\$ <u>99,773</u>

See accompanying notes to consolidated financial statements.

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WEIS MARKETS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(1) Significant Accounting Policies

Basis of Presentation: The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring deferrals and accruals) considered necessary for a fair presentation have been included. The operating results for the periods presented are not necessarily indicative of the results to be expected for the full year. The company has evaluated subsequent events for disclosure through the date of issuance of the accompanying unaudited consolidated interim financial statements and there were no material subsequent events which require additional disclosure. For further information, refer to the consolidated financial statements and footnotes thereto included in the company's latest Annual Report on Form 10-K.

(2) Current Relevant Accounting Standards

In January 2010, the Financial Accounting Standards Board (FASB) issued additional authoritative guidance on fair value measurements. The guidance requires previous fair value hierarchy disclosures to be further disaggregated by class of assets and liabilities. In addition, significant transfers between Levels 1 and 2 of the fair value hierarchy are required to be disclosed. The guidance was effective for interim and annual reporting periods ending after December 15, 2009. The company adopted the guidance effective for the first fiscal quarter ending March 27, 2010. Adoption of the new guidance did not have an impact on the company's consolidated financial position, as this guidance relates only to additional disclosures.

(3) Comprehensive Income

The components of comprehensive income, net of related tax, for the periods ended March 27, 2010 and March 28, 2009 are as follows:

<i>(dollars in thousands)</i>	<u>13 Weeks Ended</u>	
	<u>2010</u>	<u>2009</u>
Net income	\$ 17,382	\$ 16,518
Other comprehensive income by component, net of tax:		
Unrealized holding losses arising during period (Net of deferred taxes of \$139 and \$343, respectively)	(196)	(484)
Reclassification adjustment for gains included in net income (Net of taxes of \$93 and \$0, respectively)	(130)	---
Comprehensive income, net of tax	\$ <u>17,056</u>	\$ <u>16,034</u>

(4) Reclassification

The company reclassified certain immaterial amounts in the Consolidated Balance Sheets and Consolidated Statements of Income.

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WEIS MARKETS, INC.
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the company's financial condition and results of operations should be read in conjunction with the unaudited financial statements and related notes included in Item 1 of this Quarterly Report on Form 10-Q, the company's audited consolidated financial statements and the related notes included in the company's Annual Report on Form 10-K for the year ended December 26, 2009, filed with the U.S. Securities and Exchange Commission, as well as the cautionary statement captioned "Forward-Looking Statements" immediately following this analysis.

Overview

Founded in 1912 by Harry and Sigmund Weis, Weis Markets, Inc., which is based in Sunbury, Pennsylvania, currently ranks among the top 50 food and drug retailers in the United States in revenues generated. As of March 27, 2010, the company operated 164 retail food stores in Pennsylvania and four surrounding states: Maryland, New Jersey, New York and West Virginia.

The company generates its revenues in its retail food stores from the sale of a wide variety of consumer products including groceries, dairy products, frozen foods, meats, seafood, fresh produce, floral, pharmacy services, deli products, prepared foods, bakery products, beer and wine, fuel, and general merchandise items, such as health and beauty care and household products. The company also operates 25 SuperPetz pet supply stores. The company supports its retail operations through a centrally located distribution facility, its own transportation fleet, three manufacturing facilities and its administrative offices. The company's operations are reported as a single reportable segment.

Results of Operations**Analysis of Consolidated Statements of Income**

(dollars in thousands except per share amounts)

For the 13 Weeks Ended March 27, 2010 and
 March 28, 2009

	2010 (13 weeks)	2009 (13 weeks)	Percent Changes 2010 vs. 2009
Net sales	\$ 664,256	\$ 606,239	9.6 %
Cost of sales, including warehousing and distribution expenses	<u>484,325</u>	<u>442,527</u>	9.4
Gross profit on sales	179,931	163,712	9.9
Gross profit margin	27.1 %	27.0 %	
Operating, general and administrative expenses	153,251	138,553	10.6
O, G & A, percent of net sales	<u>23.1 %</u>	<u>22.9 %</u>	
Income from operations	26,680	25,159	6.0
Operating margin	4.0 %	4.2 %	
Investment income	591	387	52.7
Investment income, percent of net sales			