

WEIS MARKETS INC
Form 10-Q
November 04, 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 **September 25, 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

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

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(§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 November 4, 2010, there were issued and outstanding 26,898,492 shares of the registrant's common stock.

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WEIS MARKETS, INC.

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

	<u>September 25, 2010</u>	<u>December 26, 2009</u>
	(unaudited)	
<u>Assets</u>		
Current:		
Cash and cash equivalents	\$ 129,776	\$ 67,065
Marketable securities	12,758	18,079
Accounts receivable, net	43,096	52,215
Inventories	230,053	223,015
Prepaid expenses	<u>5,465</u>	<u>6,254</u>
Total current assets	<u>421,148</u>	<u>366,628</u>
Property and equipment, net	503,320	510,882
Goodwill	35,162	35,162
Intangible and other assets, net	<u>3,566</u>	<u>3,843</u>
Total assets	\$ <u>963,196</u>	\$ <u>916,515</u>
<u>Liabilities</u>		
Current:		
Accounts payable	\$ 123,351	\$ 130,685
Accrued expenses	27,429	30,227
Accrued self-insurance	20,082	21,998
Deferred revenue, net	3,581	6,731
Income taxes payable	32,857	484
Deferred income taxes	<u>5,141</u>	<u>3,344</u>
Total current liabilities	<u>212,441</u>	<u>193,469</u>
Postretirement benefit obligations	14,084	13,850
Deferred income taxes	<u>15,059</u>	<u>18,432</u>
Total liabilities	<u>241,584</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	857,847	827,042
Accumulated other comprehensive income (Net of deferred taxes of \$3,312 in 2010 and \$3,283 in 2009)	<u>4,671</u>	<u>4,628</u>
	872,467	841,619
Treasury stock at cost, 6,149,315 shares	<u>(150,855)</u>	<u>(150,855)</u>
Total shareholders' equity	<u>721,612</u>	<u>690,764</u>
Total liabilities and shareholders' equity	\$ <u>963,196</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		39 Weeks Ended	
	<u>Sept. 25, 2010</u>	<u>Sept. 26, 2009</u>	<u>Sept. 25, 2010</u>	<u>Sept. 26, 2009</u>
Net sales	\$ 639,967	\$ 623,958,899	\$ 1,844,775	
Cost of sales, including warehousing and distribution expenses	<u>462,012</u>	<u>451,987,405</u>	<u>1,343,687</u>	
Gross profit on sales	177,955	171,971,494	501,088	
Operating, general and administrative expenses	<u>152,943</u>	<u>147,078,301</u>	<u>428,911</u>	
Income from operations	25,012	24,099,193	72,177	
Investment income	<u>634</u>	<u>415,493</u>	<u>1,165</u>	
Income before provision for income taxes	25,646	24,584,686	73,342	
Provision for income taxes	<u>9,330</u>	<u>8,960,479</u>	<u>26,065</u>	
Net income	\$ <u>16,316</u>	\$ <u>15,554,207</u>	\$ <u>47,277</u>	
Weighted-average shares outstanding, basic	26,898,492	26,898,492	26,927,904	
Weighted-average shares outstanding, diluted	26,898,492	26,898,492	26,927,904	
Cash dividends per share	\$ 0.29	\$ 0.29	\$ 0.87	
Basic and diluted earnings per share	\$ 0.61	\$ 0.58	\$ 1.76	

See accompanying notes to consolidated financial statements.

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

	39 Weeks Ended	
	<u>Sept. 25, 2010</u>	<u>Sept. 26, 2009</u>
Cash flows from operating activities:		
Net income	\$ 54,207	\$ 47,277
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	35,873	34,440
Amortization	4,836	4,659
(Gain) loss on disposition of fixed assets	(1,228)	76
Gain on sale of marketable securities	(223)	---
Changes in operating assets and liabilities:		
Inventories	(7,038)	(15,054)
Accounts receivable and prepaid expenses	9,908	4,125
Accounts payable and other liabilities	(14,964)	36,702
Income taxes payable	32,373	215
Deferred income taxes	(1,605)	353
Other	<u>(101)</u>	<u>(33)</u>
Net cash provided by operating activities	<u>112,038</u>	<u>112,760</u>
Cash flows from investing activities:		
Purchase of property and equipment	(33,597)	(30,364)
Proceeds from the sale of property and equipment	1,955	282
Proceeds from maturities of marketable securities	5,376	2,197
Proceeds from the sale of marketable securities	341	---
Acquisition of business	<u>---</u>	<u>(35,802)</u>
Net cash used in investing activities	<u>(25,925)</u>	<u>(63,687)</u>
Cash flows from financing activities:		
Dividends paid	(23,402)	(23,430)
Purchase of treasury stock	<u>---</u>	<u>(1,973)</u>
Net cash used in financing activities	<u>(23,402)</u>	<u>(25,403)</u>
Net increase in cash and cash equivalents	62,711	23,670
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>129,776</u>	\$ <u>83,021</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. 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 September 25, 2010 and September 26, 2009 are as follows:

<i>(dollars in thousands)</i>	<u>13 Weeks Ended</u>		<u>39 Weeks Ended</u>	
	<u>Sept. 25,</u>	<u>Sept. 26, 2009</u>	<u>Sept. 25,</u>	<u>Sept 26, 2009</u>
	<u>2010</u>		<u>2010</u>	<u>Sept 26, 2009</u>
Net income	\$ 16,316	\$ 15,554	\$ 54,207	\$ 47,277
Other comprehensive income by component, net of tax:				
Unrealized holding gains (losses) arising during period (Net of deferred taxes of \$464 and \$174 respectively for the 13 Weeks Ended and \$122 and \$138 respectively for the 39 Weeks Ended)	655	246	173	(194)
Reclassification adjustment for gains included in net income (Net of taxes of \$93 and \$0 respectively for the 39 Weeks Ended)	---	---	(130)	---
Comprehensive income, net of tax	\$ <u>16,971</u>	\$ <u>15,800</u>	\$ <u>54,250</u>	\$ <u>47,083</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 Weis Markets, Inc.'s (the "Company") 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 fiscal 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 September 25, 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 operated 15 SuperPetz pet supply stores as of September 25, 2010. 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)

**Percent
Changes
2010 vs.
2009**

For the Periods Ended September 25, 2010 &nbs