

WEIS MARKETS INC
Form 10-Q
November 08, 2018
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 29, 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 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 Registrant's web address: www.weismarkets.com

Not Applicable

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

Edgar Filing: WEIS MARKETS INC - Form 10-Q

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 [X] 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 [X] 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,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer [] Accelerated filer [X]
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 [X]

As of November 8, 2018, there were issued and outstanding 26,898,443 shares of the registrant’s common stock.

WEIS MARKETS, INC.

TABLE OF CONTENTS

<u>FORM 10-Q</u>	Page
<u>Part I. Financial Information</u>	
<u>Item 1. Financial Statements</u>	
<u>Consolidated Balance Sheets</u>	1
<u>Consolidated Statements of Income</u>	2
<u>Consolidated Statements of Comprehensive Income</u>	3
<u>Consolidated Statements of Shareholders' Equity</u>	4
<u>Consolidated Statements of Cash Flows</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	11
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	17
<u>Item 4. Controls and Procedures</u>	17
<u>Part II. Other Information</u>	
<u>Item 6. Exhibits</u>	18
<u>Signatures</u>	18
<u>Exhibit 31.1 Rule 13a-14(a) Certification - CEO</u>	
<u>Exhibit 31.2 Rule 13a-14(a) Certification - CFO</u>	
<u>Exhibit 32 Certification Pursuant to 18 U.S.C. Section 1350</u>	

Table of Contents

WEIS MARKETS, INC.

PART I – FINANCIAL INFORMATION

ITEM I – FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(unaudited)

(dollars in thousands)	September 29, 2018	December 30, 2017
Assets		
Current:		
Cash and cash equivalents	\$ 38,312	\$ 47,917
Marketable securities	55,340	63,665
SERP investment	16,007	14,476
Accounts receivable, net	56,102	56,265
Inventories	280,897	279,509
Prepaid expenses and other current assets	21,716	19,435
Income taxes recoverable	-	2,047
Total current assets	468,374	483,314
Property and equipment, net	880,983	886,243
Goodwill	52,330	52,330
Intangible and other assets, net	22,576	19,852
Total assets	\$ 1,424,263	\$ 1,441,739
Liabilities		
Current:		
Accounts payable	\$ 191,798	\$ 216,252
Accrued expenses	42,290	33,403
Accrued self-insurance	15,671	17,470
Deferred revenue, net	5,249	7,217
Income taxes payable	6,590	-
Total current liabilities	261,598	274,342
Long-term debt	-	34,988
Postretirement benefit obligations	19,322	18,409
Accrued self-insurance	20,128	20,140
Deferred income taxes	90,949	87,422
Other	14,721	13,594
Total liabilities	406,718	448,895
Shareholders' Equity		
Common stock, no par value, 100,800,000 shares authorized, 33,047,807 shares issued, 26,898,443 shares outstanding	9,949	9,949

Edgar Filing: WEIS MARKETS INC - Form 10-Q

Retained earnings	1,158,636	1,127,872
Accumulated other comprehensive income (Net of deferred taxes of \$68 in 2018 and \$2,310 in 2017)	(183)	5,880
	1,168,402	1,143,701
Treasury stock at cost, 6,149,364 shares	(150,857)	(150,857)
Total shareholders' equity	1,017,545	992,844
Total liabilities and shareholders' equity	\$ 1,424,263	\$ 1,441,739
See accompanying notes to Consolidated Financial Statements.		

1

Table of Contents

WEIS MARKETS, INC.

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(dollars in thousands, except shares and per share amounts)	13 Weeks Ended		39 Weeks Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net sales	\$ 869,076	\$ 854,261	\$ 2,616,282	\$ 2,583,059
Cost of sales, including advertising, warehousing and distribution expenses	636,736	634,652	1,908,740	1,900,655
Gross profit on sales	232,340	219,609	707,542	682,404
Operating, general and administrative expenses	214,798	213,415	641,124	628,242
Income from operations	17,542	6,194	66,418	54,162
Investment income and interest expense	1,096	657	668	1,893
Income before provision for income taxes	18,638	6,851	67,086	56,055
Provision for income taxes	4,431	2,402	17,594	21,295
Net income	\$ 14,207	\$ 4,449	\$ 49,492	\$ 34,760
Weighted-average shares outstanding, basic and diluted	26,898,443	26,898,443	26,898,443	26,898,443
Cash dividends per share	\$ 0.30	\$ 0.30	\$ 0.90	\$ 0.90
Basic and diluted earnings per share	\$ 0.53	\$ 0.16	\$ 1.84	\$ 1.29
See accompanying notes to Consolidated Financial Statements.				

2

Table of Contents

WEIS MARKETS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

(dollars in thousands)	13 Weeks Ended		39 Weeks Ended	
	September	September	September	September
	29, 2018	30, 2017	29, 2018	30, 2017
Net income	\$ 14,207	\$ 4,449	\$ 49,492	\$ 34,760
Other comprehensive income (loss) by component, net of tax:				
Available-for-sale marketable securities				
Unrealized holding gains (losses) arising during period				
(Net of deferred taxes of \$68 and \$194, respectively for the thirteen Weeks Ended and \$240 and \$68, respectively for the thirty-nine Weeks Ended)	(175)	281	(620)	147
Reclassification adjustment for losses included in net income				
(Net of deferred taxes of \$0 and \$2, respectively for the thirteen Weeks Ended and \$15 and \$2, respectively for the thirty-nine Weeks Ended)	-	3	39	3
Other comprehensive income gain (loss), net of tax	(175)	284	(581)	150
Comprehensive income, net of tax	\$ 14,032	\$ 4,733	\$ 48,911	\$ 34,910
See accompanying notes to Consolidated Financial Statements.				

Table of Contents

WEIS MARKETS, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(unaudited)

(dollars in thousands, except shares)	Accumulated							Total
	Common Stock		Retained	Other	Comprehensive	Treasury Stock	Shareholders'	
For the Fiscal Quarter Ended	Shares	Amount	Earnings	Income (Loss)	Shares	Amount	Equity	
September 29, 2018								
December 31, 2016 - September 29, 2018								
Balance at December 31, 2016	33,047,807	\$ 9,949	\$ 1,062,778	\$ 4,852	6,149,364	\$ (150,857)	\$ 926,722	
Net income	—	—	34,760	—	—	—	34,760	
Other comprehensive income, net of reclassification adjustments and tax	—	—	—	150	—	—	150	
Dividends paid	—	—	(24,209)	—	—	—	(24,209)	
Balance at September 30, 2017	33,047,807	9,949	1,073,330	5,002	6,149,364	(150,857)	937,424	
Balance at December 30, 2017	33,047,807	9,949	1,127,872	5,880	6,149,364	(150,857)	992,844	
Net Income	—	—	49,492	—	—	—	49,492	
Cumulative effect of accounting principle adoption of ASU 2016-01	—	—	5,482	(5,482)	—	—	-	
Other comprehensive loss, net of reclassification adjustments and tax	—	—	—	(581)	—	—	(581)	
Dividends paid	—	—	(24,209)	—	—	—	(24,209)	
Balance at September 29, 2018	33,047,807	9,949	1,158,636	(183)	6,149,364	(150,857)	1,017,545	

Table of Contents

WEIS MARKETS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(dollars in thousands)	39 Weeks Ended	
	September 29, 2018	September 30, 2017
Cash flows from operating activities:		
Net income	\$ 49,492	\$ 34,760
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	69,589	63,523
(Gain) loss on disposition of fixed assets	(76)	(1,036)
Loss on sale of marketable securities	54	5
Unrealized loss in value of equity securities	883	-
Deferred income taxes	3,752	8,862
Changes in operating assets and liabilities:		
Inventories	(1,388)	8,613
Accounts receivable and prepaid expenses	(2,118)	10,264
Accounts payable and other liabilities	(17,172)	(27,702)
Income taxes	8,637	(123)
Other	409	(1,326)
Net cash provided by operating activities	112,062	95,840
Cash flows from investing activities:		
Purchase of property and equipment	(64,504)	(65,356)
Proceeds from the sale of property and equipment	1,113	2,195
Purchase of marketable securities	(3,256)	(11,254)
Proceeds from maturities of marketable securities	4,915	7,402
Proceeds from the sale of marketable securities	4,333	7,257
Purchase of intangible assets	(3,540)	(1,414)
Change in SERP investment	(1,531)	(2,453)
Net cash used in investing activities	(62,470)	(63,623)
Cash flows from financing activities:		
Payments on long-term debt	(34,988)	(12,390)
Dividends paid	(24,209)	(24,209)
Net cash used in financing activities	(59,197)	(36,599)
Net decrease in cash and cash equivalents	(9,605)	(4,382)
Cash and cash equivalents at beginning of year	47,917	46,818
Cash and cash equivalents at end of period	\$ 38,312	\$ 42,436

See accompanying notes to Consolidated Financial Statements. There was \$5.2 million and \$12.8 million in cash paid for income taxes in the first thirty-nine weeks of 2018 and 2017, respectively. Cash paid for interest related to long-term debt was \$359 thousand and \$752 thousand in the first thirty-nine weeks of 2018 and 2017, respectively.

Table of Contents

WEIS MARKETS, INC.

NOTES TO THE 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. As of December 31, 2017, the Company changed its accounting policy for cash and cash equivalents and advertising costs. See Note 7 Cash and Cash Equivalents and Advertising Accounting Policies.

(2) Current Relevant Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), as amended by several subsequent ASU's, which establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. In August 2015, the FASB issued a one-year deferral of the effective date of this new guidance resulting in it now being effective for the Company beginning in fiscal year 2018. The Company has evaluated the impact of adoption of the ASU. The Company's assessment of the new guidance has identified customer loyalty programs and gift cards affected by the new guidance. The Company adopted the new standard using the modified retrospective method beginning December 31, 2017. The effects related to these transactions did not materially effect the Company's Consolidated Financial Statements. The Company determined that the adoption of the ASU did not have a significant impact on the Company's point of sale product sales.

In January 2016, the FASB issued ASU 2016-01 Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 generally requires that equity investments (excluding equity method investments) be measured at fair value with changes in fair value recognized in net income. The adoption of ASU 2016-01 had an impact on the net income reported in the Company's Consolidated Statements of Income in the amount of a \$0.4 million gain and \$0.9 million loss for the third quarter and the first thirty-nine weeks of 2018, respectively. The ASU was adopted as of December 31, 2017. The cumulative effect of

the adoption was made to the balance sheet as of December 31, 2017 and resulted in a reclassification of \$5.5 million of related accumulated unrealized gains, net of applicable deferred income taxes, that were included in accumulated other comprehensive income to retained earnings, resulting in no impact on the Company's shareholders' equity.

In February 2016, the FASB issued ASU 2016-02 Leases (Topic 842) and since amended by several ASUs. ASU 2016-02 requires lessees to recognize assets and liabilities for the rights and obligations created by their leases with lease terms more than 12 months. ASU 2016-02 will become effective for annual periods beginning after December 15, 2018, for interim periods within those fiscal years. The Company is currently in the process of evaluating the impact of adoption of the ASU and expects the adoption to have a significant impact on the Company's Consolidated Balance Sheets.

In March 2016, the FASB issued ASU 2016-04 Liabilities – Extinguishments of Liabilities (Subtopic 405-20) Recognition of Breakage for Certain Prepaid Stored-Value Products. ASU 2016-04 requires that an entity must disclose the methodology and specific judgements made in applying the breakage recognized. ASU 2016-04 will become effective for the financial statements issued for the fiscal years beginning after December 15, 2017. The Company has evaluated the effect of the adoption of the ASU and determined there was not a significant impact on the Company's Consolidated Financial Statements. The Company adopted ASU 2016-04 beginning December 31, 2017.

Table of Contents

WEIS MARKETS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(3) Marketable Securities

The Company's marketable securities are all classified as available-for-sale within "Current Assets" in the Company's Consolidated Balance Sheets. FASB has established three levels of inputs that may be used to measure fair value:

Level 1 Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2 Observable inputs, other than Level 1 inputs in active markets, that are observable either directly or indirectly; and

Level 3 Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company's marketable securities valued using Level 1 inputs include highly liquid equity securities, for which quoted market prices are available. The Company's municipal bond portfolio is valued using Level 2 inputs. The Company's municipal bonds are valued using a combination of pricing for similar securities, recently executed transactions, cash flow models with yield curves and other pricing models utilizing observable inputs, which are considered Level 2 inputs.

For Level 2 investment valuation, the Company utilizes standard pricing procedures of its investment advisory firm which includes various third party pricing services. These procedures also require specific price monitoring practices as well as pricing review reports, valuation oversight and pricing challenge procedures to maintain the most accurate representation of investment fair market value.

The Company accrues interest on its bond portfolio throughout the life of each bond held. Dividends from the equity securities are recognized as received. Interest, dividends and unrealized gains and losses on equity securities are recognized in "Investment income and interest expense" on the Company's Consolidated Statements of Income. The Company recognized investment income of \$1.1 million in the third quarter of 2018, which included an unrealized gain in equity securities of \$355 thousand. Investment income was \$936 thousand in the thirty-nine weeks ended September 29, 2018, which included an unrealized loss in equity securities of \$884 thousand. Investment income was \$831 thousand and \$2.6 million in the thirteen and thirty-nine weeks ended September 30, 2017.

Marketable securities, as of September 29, 2018 and December 30, 2017, consisted of:

Edgar Filing: WEIS MARKETS INC - Form 10-Q

(dollars in thousands)	Amortized	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
September 29, 2018	Cost			
Available-for-sale:				
Level 1				
Equity securities	\$ 1,198	\$ 6,750	\$ -	\$ 7,948
Level 2				
Municipal bonds	47,655	151	(414)	47,392
	\$ 48,853	\$ 6,901	\$ (414)	\$ 55,340

(dollars in thousands)	Amortized	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
December 30, 2017	Cost			
Available-for-sale:				
Level 1				
Equity securities	\$ 1,198	\$ 7,634	\$ -	\$ 8,832
Level 2				
Municipal bonds	54,278	671	(116)	54,833
	\$ 55,476	\$ 8,305	\$ (116)	\$ 63,665

Maturities of marketable securities classified as available-for-sale at September 29, 2018, were as follows:

(dollars in thousands)	Amortized Cost	Fair Value
Available-for-sale:		
Due within one year	\$ 7,347	\$ 7,336
Due after one year through five years	22,633	22,616
Due after five years through ten years	17,675	17,440
Equity securities	1,198	7,948
	\$ 48,853	\$ 55,340

Table of Contents

WEIS MARKETS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(3) Marketable Securities (continued)

SERP Investments

The Company also maintains a non-qualified supplemental executive retirement plan and a non-qualified pharmacist deferred compensation plan for certain of its associates which allows them to defer income to future periods. Participants in the plans earn a return on their deferrals based on mutual fund investments. The Company chooses to invest in the underlying mutual fund investments to offset the liability associated with the non-qualified deferred compensation plans. Such investments are classified as trading securities and are measured at fair value using Level 1 inputs with gains and losses included in "Investment income and interest expense" on the Company's Consolidated Statements of Income. The changes in the underlying liability to the associates are recorded in "Operating, general and administrative expenses."

(4) Accumulated Other Comprehensive Income

All balances in accumulated other comprehensive income are related to available-for-sale marketable securities. The following table sets forth the balance of the Company's accumulated other comprehensive income, net of tax.

(dollars in thousands)	Unrealized Gains on Available-for-Sale Marketable Securities
Accumulated other comprehensive income balance as of December 30, 2017	\$ 5,880
Amount reclassified to retained earnings for equity unrealized gain (adoption of ASU 2016-01)	(5,482)
Other comprehensive loss before reclassifications	(620)
Amounts reclassified from accumulated other comprehensive income	39
Net current period change in other comprehensive income	(6,063)
Accumulated other comprehensive income balance as of September 29, 2018	\$ (183)

The following table sets forth the effects on net income of the amounts reclassified out of accumulated other comprehensive income for the periods ended September 29, 2018 and September 30, 2017.

Amounts Reclassified from

Edgar Filing: WEIS MARKETS INC - Form 10-Q

Accumulated Other
 Comprehensive Income to the
 Consolidated Statements of
 Income
 13 Weeks Ended September 29, 2018
 39 Weeks Ended September 30, 2017

(dollars in thousands) Location

Unrealized gains (losses) on available-for-sale marketable securities

Investment income and interest expense	\$ -	\$ 5	\$ 54	\$ 5
Provision for income taxes	-	(2)	(15)	(2)
Total amount reclassified, net of tax	\$ -	\$ 3	\$ 39	\$ 3

Table of Contents

WEIS MARKETS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(5) Long-Term Debt

On September 1, 2016, Weis Markets entered into a revolving credit agreement with Wells Fargo Bank, National Association (the Credit Agreement). The Credit Agreement provides for an unsecured revolving credit facility with an aggregate principal amount not to exceed \$100.0 million with an additional discretionary amount available of \$50.0 million. On October 24, 2018, the Credit Agreement was amended to reduce the available revolving credit amount from \$100.0 million to \$50.0 million. As of September 29, 2018, the Company did not have an outstanding amount borrowed from the available \$100.0 million from the credit facility. The loan will bear interest on the outstanding principal amount at the one-month LIBOR rate plus the applicable margin rate of 0.65% until its maturity on September 1, 2019. The loan was used to fund the 2016 acquisitions and the Company's working capital requirements. The only financial covenant in the credit facility requires the Company's trailing twelve-month EBITDA to be at least \$75.0 million. The Credit Agreement is also being utilized by the Company for \$14.2 million of outstanding letters of credit as of September 29, 2018. The letters of credit are maintained primarily to support performance, payment, deposit or surety obligations of the Company. The Company does not anticipate drawing on any of them.

Interest expense related to long-term debt was \$29 thousand and \$174 thousand in the thirteen weeks ended September 29, 2018 and September 30, 2017, respectively. In the first thirty-nine weeks of 2018 and 2017 interest expense related to long-term debt totaled \$269 thousand and \$707 thousand, respectively.

(6) Revenue Recognition

The adoption of ASU 2014-9 Revenue from Contracts with Customers (ASC 606) did not have a material impact on the Company's Consolidated Financial Statements. The Chief Operating Officer, the Company's chief operating decision maker, analyzes store operational revenues by geographical area but each area offers customers similar product, has similar distribution methods, and supported by centralized management processes. The Company's operations are reported as a single reportable segment.

Edgar Filing: WEIS MARKETS INC - Form 10-Q

The following table represents net sales by type of product for the thirteen week and thirty-nine week periods ending September 29, 2018 and September 30, 2017:

(dollars in thousands)	13 Weeks Ended			
	September 29, 2018		September 30, 2017	
Grocery	\$ 743,209	85.5 %	\$ 731,741	85.7 %
Pharmacy	77,568	8.9	77,998	9.1
Fuel	33,668	3.9	27,951	3.3
Manufacturing	14,631	1.7	16,571	1.9
Total net sales	\$ 869,076	100.0 %	\$ 854,261	100.0 %

(dollars in thousands)	39 Weeks Ended			
	September 29, 2018		September 30, 2017	
Grocery	\$ 2,243,178	85.7 %	\$ 2,221,303	86.0 %
Pharmacy	233,778	8.9	232,913	9.0
Fuel	95,751	3.7	80,231	3.1
Manufacturing	43,575	1.7	48,612	1.9

Edgar Filing: WEIS MARKETS INC - Form 10-Q

Total net sales	\$ 2,616,282	100.0 %	\$ 2,583,059	100.0 %
-----------------	--------------	---------	--------------	---------

9

Table of Contents

WEIS MARKETS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(7) Cash and Cash Equivalents and Advertising Accounting Policies

As of December 31, 2017, the Company changed its policy for cash and cash equivalents to include all credit card, debit card and electronic benefits transfer transactions that process in less than seven days in the amount of \$22.7 million and \$26.6 million as of September 29, 2018 and December 30, 2017, respectively. Management deems the classification of the amounts due from third-party financial institutions to be more appropriately reported in cash and cash equivalents due to certainty and timely settlement in less than seven days. The amounts have been reclassified from accounts receivable to cash and cash equivalents as of December 30, 2017 in the amount of \$26.6 million to conform to the presentation of the Consolidated Balance Sheets as of September 29, 2018.

As of December 31, 2017, the Company changed its policy for advertising costs to expense advertising costs as incurred, net of vendor paid cooperative advertising credits, in Cost of sales, in the amount of \$3.6 million and \$3.2 million for the thirteen weeks and \$8.0 million and \$10.1 million for the thirty-nine weeks ended September 29, 2018 and September 30, 2017, respectively. Management deems that the policy change to record net advertising costs in Cost of sales instead of Operating, general and administrative expenses better represents Cost of sales inclusive of direct product costs (net of discounts and allowances), distribution center and transportation costs, manufacturing facility operations and advertising costs that are primarily funded by vendor cooperative advertising credits and occur in the same period the product is sold. Advertising costs net of vendor cooperative advertising credits have been reclassified to Cost of sales out of Operating, General and Administrative costs for the thirteen and thirty-nine weeks ended and September 30, 2017 in the amount of \$3.2 million and \$10.1 million, respectively, to conform to the presentation of the Consolidated Statement of Income for the thirteen and thirty-nine weeks ended September 29, 2018.

The tables below summarize the effect of the reclassifications of previously reported Consolidated Financial Statements for the fiscal year ended December 30, 2017 and the thirteen and thirty-nine weeks ended September 30, 2017.

As of December 30, 2017
As
Previously

Edgar Filing: WEIS MARKETS INC - Form 10-Q

Consolidated Balance Sheets (dollars in thousands)	Reported	Reclassifications	As
			Adjusted
Cash and Cash Equivalent	\$ 21,305	\$ 26,612	\$ 47,917
Accounts Receivable, net	82,877	(26,612)	56,265

Consolidated Statements of Income (dollars in thousands)	September 30, 2017 13 Weeks Ended			39 Weeks Ended		
	As Previously			As Previously		
	Reported	Reclassifications	As Adjusted	Reported	Reclassifications	As Adjusted
Cost of sales, including advertising, warehousing and distribution expenses	\$ 631,422	\$ 3,230	\$ 634,652	\$ 1,890,545	\$ 10,110	\$ 1,900,655
Gross profit on sales	222,839	(3,230)	219,609	692,514	(10,110)	682,404
Operating, general and administrative expenses	216,645	(3,230)	213,415	638,352	(10,110)	628,242

Consolidated Statements of Cash Flows (dollars in thousands)	39 Weeks Ended September 30, 2017		
	As Previously		
	Reported	Reclassifications	As Adjusted
Accounts receivable and prepaid expenses	\$ 20,147	\$ (9,883)	\$ 10,264
Net cash provided by operating activities	105,723	(9,883)	95,840
Net increase (decreases) in cash and cash equivalents	5,501	(9,883)	(4,382)
Cash and cash equivalents at beginning of year	14,653	32,165	46,818
Cash and cash equivalents at end of period	\$ 20,154	\$ 22,282	\$ 42,436

(8) Income Taxes

The Company reflected the effects of the Tax Cuts and Jobs Act (The Act), in its 2017 financial statements. This included the effects of the change in the US Corporate tax rate from 35% to 21% on deferred tax assets and liabilities.

The Company's tax expense for the period ended September 29, 2018 includes the reduction in the U.S. federal tax rate from 35% to 21%, effective for the Company's 2018 tax year. The Company's tax provision also reflects other changes as a result of the Act, including the impact of changes effecting the deductibility of certain executive compensation and immediate expensing of qualified assets placed into service after September 27, 2017.

10

Table of Contents

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 Consolidated 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 30, 2017, filed with the U.S. Securities and Exchange Commission, as well as the cautionary statement captioned "Forward-Looking Statements" immediately following this analysis.

Company Summary

Weis Markets is a conventional supermarket chain that operates 204 retail stores with over 23,000 associates located in Pennsylvania and six surrounding states: Delaware, Maryland, New Jersey, New York, Virginia and West Virginia. The Company's retail food stores sell 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 store product selection includes national, local and private brands including natural, gluten-free and organic varieties.

The Company advertises its products and promotes its brand through weekly newspaper circulars; radio ads; e-mail blasts; and on-line via its web site, social media and mobile applications. Printed circulars are used extensively on a weekly basis to advertise featured items. The Company promotes by using Everyday Lower Price, Low Price Guarantee and utilizes a loyalty marketing program, "Weis Club Preferred Shopper," which enables customers to receive discounts, promotions and in-store and fuel rewards.

Utilizing its own centrally located distribution center and transportation fleet, Weis Markets self distributes approximately 65% of product with the remaining being supplied by direct store vendors. In addition, the Company has three manufacturing facilities which process milk, ice cream and fresh meat products primarily for the Company's stores but serve other companies as well. The corporate offices are located in Sunbury, PA where the Company was founded in 1912.

In 2016, Weis Markets acquired five Mars Super Market locations in Baltimore County, MD, 38 Food Lion stores throughout Maryland, Virginia and Delaware, and a Nell's Family Market in East Berlin, PA. The completion of these individual acquisitions expanded the Company's footprint into Virginia and Delaware, and increased its store count by

25 percent. To date and during the third quarter of 2018, the acquired store group is providing a positive cash flow for the Company as management continues to develop the stores using its business model. As the acquired stores assimilate, management anticipates the adverse impact of those stores on costs to lessen. In the third quarter of 2018, the Company closed one store from the acquired store group. Although there are no pending acquisitions, the Company continues to actively investigate acquisition opportunities as well as grow its existing store base organically.

The Company continues to innovate and remain relevant to industry trends and offering customer convenience by presenting

programs like Weis 2 Go Online and home delivery. In 2018 the Company offered Weis 2 Go Online in 87 of its locations. “Weis 2 Go Online” allows the customer to order on-line and then pick their order up at a drive-thru location at the store. The Company began offering home delivery during the third quarter of 2018 and currently offers this convenience to customers in 172 different locations.

Table of Contents

WEIS MARKETS, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

Results of Operations

Analysis of Consolidated Statements of Income

(dollars in thousands except per share amounts)	13 Weeks Ended		39 Weeks Ended		Percentage Changes			
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017	2018 vs. 2017	13 Weeks Ended	2018 vs. 2017	39 Weeks Ended
Net sales	\$ 869,076	\$ 854,261	\$ 2,616,282	\$ 2,583,059	1.7	%	1.3	%
Cost of sales, including advertising, warehousing and distribution expenses	636,736	634,652	1,908,740	1,900,655	0.3		0.4	
Gross profit on sales	232,340	219,609	707,542	682,404	5.8		3.7	
Gross profit margin	26.7	% 25.7	% 27.0	% 26.4				
Operating, general and administrative expenses	214,798	213,415	641,124	628,242	0.6		2.1	
O, G & A, percent of net sales	24.7	% 25.0	% 24.5	% 24.3				
Income from operations	17,542	6,194	66,418	54,162	183.2		22.6	
Operating margin	2.0	% 0.7	% 2.5	% 2.1				
Investment income and interest expense	1,096	657	668	1,893	66.8		(64.7)	
Investment income and interest expense, percent of net sales	0.1	% 0.1	% 0.0	% 0.1				
Income before provision for income taxes	18,638	6,851	67,086	56,055	172.0		19.7	
Income before provision for income taxes, percent of net sales	2.1	% 0.8	% 2.6	% 2.2				
Provision for income taxes	4,431	2,402	17,594	21,295	84.5		(17.4)	
Effective income tax rate	23.8	% 35.1	% 26.2	% 38.0				
Net income	\$ 14,207	\$ 4,449	\$ 49,492	\$ 34,760	219.3	%	42.4	%
Net income, percent of net sales	1.6	% 0.5	% 1.9	% 1.3				
Basic and diluted earnings per share	\$ 0.53	\$ 0.16	\$ 1.84	\$ 1.29	2.9	%	15.9	%

Net Sales

Analysis of Sales

	Percentage Changes			
	2018 vs. 2017			
September 29, 2018	13 Weeks		39 Weeks	
	Ended	Ended	Ended	Ended
Net sales	1.7	%	1.3	%
Net sales, excluding fuel sales	1.0		0.7	
Comparable store sales, adjusted for holiday impact	0.7		0.7	
Comparable store sales, adjusted for holiday impact, excluding fuel sales	0.2	%	0.2	%

When calculating the percentage change in comparable store sales, the Company defines a new store to be comparable after it has been in operation for five full quarters. Relocated stores and stores with expanded square footage are included in comparable store sales since these units are located in existing markets and are open during construction. Planned store dispositions are excluded from the calculation. The Company only includes retail food stores in the calculation.

The Company's third quarter sales were positively affected by a holiday shift on the Fourth of July. The Fourth of July fell later in the week, after the third quarter began. Management estimates that the incremental Fourth of July holiday sales impact was approximately \$2.5 million and included it in the second quarter 2018 comparable store sales.

Table of Contents

WEIS MARKETS, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

Results of Operations (continued)

Net Sales (continued)

Analysis of Sales (continued)

According to the latest U.S. Bureau of Labor Statistics' report, the annual Seasonally Adjusted Food-at-Home Consumer Price Index increased 0.5% compared to a decrease of 0.9% for the same period last year. Even though the U.S. Bureau of Labor Statistics' index rates may be reflective of a trend, it will not necessarily be indicative of the Company's actual results. According to the U.S. Department of Energy, the thirteen week average price of gasoline in the Central Atlantic States increased 12.1% or \$0.33 per gallon in the third quarter of 2018 compared to the same quarter in 2017. The 2018 thirty-nine week average price of gasoline for the Central Atlantic States increased 12.7% or \$0.33 per gallon.

Comparable store sales for the first thirty-nine weeks of 2018 remained positive compared to the same period a year ago with increases of 0.7% and 0.2%, with and without fuel, respectively. Comparable store sales for the third quarter 2018 increased 1.0% compared to same period a year ago, and 0.7% and 0.2% adjusted for the July 4 holiday shift and fuel, respectively. In conjunction with its marketing initiatives the Company continues to add additional product offerings and customer conveniences such as "Weis 2 Go Online" currently offered in 87 store locations. "Weis 2 Go Online" allows the customer to order on-line and then pick their order up at a drive-thru location at the store. The Company continues to expand this offering. Along with product offerings and programs, the Company experienced inflation in some of its fresh categories most notably eggs, fruits and vegetables. Fuel sales benefited from inflation as comparable fuel sales rose 15.7% and 14.7% during the third quarter and first thirty-nine weeks of 2018, respectively.

Although the Company experienced retail inflation and deflation in various commodities for the years presented, management cannot accurately measure the full impact of inflation or deflation on retail pricing due to changes in the types of merchandise sold between periods, shifts in customer buying patterns and the fluctuation of competitive factors. Management remains confident in its ability to generate sales growth in a highly competitive environment, but also understands some competitors have greater financial resources and could use these resources to take measures which could adversely affect the Company's competitive position.

Cost of Sales and Gross Profit

Cost of sales consists of direct product costs (net of discounts and allowances), net advertising costs, distribution center and transportation costs, as well as manufacturing facility operations. Almost all of the increase in cost of sales in 2018 as compared to 2017 is due to the increased sales volume in 2018. Both direct product cost and distribution cost increase when sales volume increases.

Gross profit margin increased 1.0% and 0.6% in the third quarter and the first thirty-nine weeks of 2018, respectively, compared to the same periods in 2017. Improved price optimization, the Company's current private brand initiative and inventory management were accretive to the Company's gross profit margin for the quarter and the year. In addition, disciplined fresh department sell-through during the summer vacation season in the third quarter of 2018 compared to the same period last year yielded improved results.

Non-cash LIFO inventory valuation adjustments changed from income of \$622 thousand in the first thirty-nine weeks of 2017, to a net \$0 adjustment in the same period of 2018. Product costs have remained stagnant throughout the year, and management is anticipating minor cost inflation in its pharmacy department which will be offset by deflation in its other departments.

Although the Company experienced product cost inflation and deflation in various commodities for the quarters presented, management cannot accurately measure the full impact of inflation or deflation on costs due to changes in the types of merchandise sold between periods, shifts in customer buying patterns and the fluctuation of competitive factors.

Table of Contents

WEIS MARKETS, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

Results of Operations (continued)

Operating, General and Administrative Expenses

The majority of the increase in operating, general and administrative expenses was driven by increased sales volume.

Employee-related costs such as wages, employer paid taxes, health care benefits and retirement plans, comprise approximately 60% of the total "Operating, general and administrative expenses." As a percent of sales, direct store labor remained constant in the third quarter of 2018 compared to the third quarter of 2017 and for the first thirty-nine weeks of 2018 compared to the same period in 2017. The Company continues to monitor store labor efficiencies and develop labor standards to reduce cost while maintaining the Company's customer service expectations. Self-insured for its associate health care benefits, the Company has experienced a year-to-date increase in the volume of claims and size of claims amounting to a 0.1% increase as a percent of sales comparing the first thirty-nine weeks of 2018 to first thirty-nine weeks of 2017. However, self-insured associate health care benefits remained consistent between the third quarters of 2018 and 2017, changing the trend the Company experienced in the first two quarters of the year.

Depreciation and amortization expense charged to operating, general and administrative expenses was \$23.4 million, or 2.7% of net sales during the third quarter of 2018 compared to \$21.4 million or 2.5% of net sales during the third quarter of 2017. During the first thirty-nine weeks of 2018 and 2017, depreciation and amortization expense charged to operating, general and administrative expenses was \$69.5 million, or 2.7% of net sales and \$63.5 million or 2.5% of net sales, respectively. The increase in depreciation and amortization expense was the result of additional capital expenditures as the Company implements its capital expansion program. See the Liquidity and Capital Resources section for further information regarding the Company's capital expansion program.

A breakdown of the material increases (decreases) as a percent of sales in "Operating, general and administrative expenses" is as follows:

(dollars in thousands)	13 Weeks Ended		39 Weeks Ended		
	Increase	Increase (Decrease)	Increase	Increase (Decrease)	
	as a % of sales		as a % of sales		
September 29, 2018	(Decrease)		(Decrease)		
Depreciation and amortization	\$ 1,945	0.2 %	\$ 5,515	0.2 %	

Edgar Filing: WEIS MARKETS INC - Form 10-Q

Workers compensation self-insurance	(2,255)(0.3)	(1,403)(0.1)
Associate health care benefits	— —	2,017 0.1
In-store vending programs	(998) (0.1)	— —

The Company continues to realize a reduction in workers compensation self-insurance expense as a result of improved associate safety programs and claim resolution efforts.

The Company has realized benefits with the addition of new company-owned coin kiosks and by promoting other in-store vending programs such as state lottery sales.

14

Table of Contents

WEIS MARKETS, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Provision for Income Taxes

The effective income tax rate was 23.8% and 35.1% for the third quarter of 2018 and 2017, respectively. The effective income tax rate was 26.2% and 38.0% for the first thirty-nine weeks of 2018 and 2017, respectively. The decrease in the effective income tax rate is primarily due to the Federal statutory rate reduced from 35% to 21%. Historically, the effective income tax rate differed from the federal statutory rate, primarily due to the effect of state taxes, net of permanent differences. On December 22, 2017, the U.S. Government enacted the Tax Cuts and Jobs Act (the "Tax Reform"). The Tax Reform significantly impacted the Company's effective income tax rate by reducing the U.S. federal corporate tax rate from 35% to 21% effective January 1, 2018 and allowing immediate expensing of qualified assets placed into service after September 27, 2017. Other elements of the Tax Reform have minor impacts, however the above mentioned decreased deferred income tax by \$49.3 million in 2017. The states in which the Company does business have also passed new tax laws in response to the federal Tax Reform. The Company expects the effective income tax rate to continue to have slight variances until all state laws have been passed.

Liquidity and Capital Resources

The primary source of cash is cash flows generated from operations. If needed, the Company is able to borrow under the 2016 revolving credit agreement from Wells Fargo Bank, NA. On October 24, 2018, the credit agreement was amended to reduce the available revolving credit amount from \$100.0 million to \$50.0 million, with an additional discretionary availability of \$50.0 million. As of September 29, 2018 the Company's unused availability under the revolving credit agreement was \$85.8 million with \$14.2 million of letters of credit outstanding. The revolving credit agreement matures on September 1, 2019. The letters of credit are maintained primarily to support performance, payment, deposit or surety obligations of the Company. The Company does not anticipate drawing on any of them.

The Company's investment portfolio consists of marketable securities, which currently includes municipal bonds and equity securities. As of September 29, 2018, the portfolio totaled \$55.3 million. Management anticipates maintaining or increasing the investment portfolio, but has the ability to liquidate if needed.

The Company's capital expansion program includes 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 distribution facilities and transportation fleet. Management currently plans to invest approximately \$85.5 million in its capital expansion program in 2018.

The Company expects that cash generated from operations and cash available under the 2016 revolving credit agreement will fund its working capital requirements, debt requirements, capital expansion program, acquisitions and dividends. The Company has no other commitment of capital resources as of September 29, 2018, other than the lease commitments on its store facilities and transportation equipment under operating leases that expire at various dates through 2033.

The Board of Directors' 2004 resolution authorizing the repurchase of up to one million shares of the Company's common stock has a remaining balance of 752,468 shares.

Quarterly Cash Dividends

At its regular meeting held in October, the Board of Directors unanimously approved a quarterly dividend of \$0.31 per share, payable on November 26, 2018 to shareholders of record on November 9, 2018. The Company expects to continue paying regular cash dividends on a quarterly basis. However, the Board of Directors reconsiders the declaration of dividends quarterly. The Company pays these dividends at the discretion of the Board of Directors and the continuation of these payments and the amount of the dividends depends upon the results of operations, the financial condition of the Company and other factors which the Board of Directors deems relevant.

Table of Contents

WEIS MARKETS, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(continued)

Liquidity and Capital Resources (continued)

Cash Flow Information

(dollars in thousands)	39 Weeks Ended		2018 vs. 2017
	September 29, 2018	September 30, 2017	
Net cash provided by (used in):			
Operating activities	\$ 112,062	\$ 95,840	\$ 16,222
Investing activities	(62,470)	(63,623)	1,153
Financing activities	(59,197)	(36,599)	(22,598)

Operating

Cash flows from operating activities increased \$16.2 million in the first thirty-nine weeks of 2018 compared to the first thirty-nine weeks of 2017. Higher profits including Tax Reform savings and lower management incentive payouts accounted for the increase in cash provided.

Investing

Property and equipment purchases during the first thirty-nine weeks of 2018 totaled \$64.5 million compared to \$65.4 million in the first thirty-nine weeks of 2017. In the current year the Company opened two new stores, one of which opened in Nottingham, MD early in the second quarter of 2018 and the other opened in Randolph, NJ in the third quarter of 2018. As a percentage of sales, capital expenditures including the acquisitions were 2.5% in the first thirty-nine weeks of 2018 and 2017. In 2018, the Company plans to maintain or increase its marketable securities portfolio.

Financing

The Company paid dividends of \$24.2 million in the first thirty-nine weeks of both 2018 and 2017. In the first thirty-nine weeks of 2018 payments on the revolving credit agreement increased net cash used in financing activities by \$35.0 million, effectively eliminating the outstanding balance on the revolver. The Company continues to maintain a zero balance on the revolver. In the first thirty-nine of 2017, payments on the revolving credit agreement increased net cash used in financing activities by \$12.4 million.

Accounting Policies and Estimates

The Company has chosen accounting policies that it believes are appropriate to accurately and fairly report its operating results and financial position, and the Company applies those accounting policies in a consistent manner. The Significant Accounting Policies are summarized in Note 1 to the Consolidated Financial Statements included in the 2017 Annual Report on Form 10-K. There have been two changes to the Significant Accounting Policies and three new accounting standards adopted since the Company filed its Annual Report on Form 10-K for the fiscal year ended December 30, 2017.

Forward-Looking Statements

In addition to historical information, this 10-Q Report may contain forward-looking statements, which are included pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. Any forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. For example, risks and uncertainties can arise with changes in: general economic conditions, including their impact on capital expenditures; business conditions in the retail industry; the regulatory environment; rapidly changing technology and competitive factors, including increased competition with regional and national retailers; and price pressures. Readers are cautioned not to place undue reliance on forward-looking statements, which reflect management's analysis only as of the date hereof. The Company undertakes no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date hereof. Readers should carefully review the risk factors described in other documents the Company files periodically with the Securities and Exchange Commission.

Table of Contents

WEIS MARKETS, INC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative Disclosure - There have been no material changes in the Company's market risk during the fiscal quarter ended September 29, 2018. Quantitative information is set forth in Item 7a on the Company's Annual Report on Form 10-K under the caption "Quantitative and Qualitative Disclosures About Market Risk," which was filed for the fiscal year ended December 30, 2017 and is incorporated herein by reference.

Qualitative Disclosure - This information is set forth in the Company's Annual Report on Form 10-K under the caption "Liquidity and Capital Resources," within "Management's Discussion and Analysis of Financial Condition and Results of Operations," which was filed for the fiscal year ended December 30, 2017 and is incorporated herein by reference.

ITEM 4. CONTROLS AND PROCEDURES

The Chief Executive Officer and the Chief Financial Officer, together with the Company's Disclosure Committee, evaluated the Company's disclosure controls and procedures as of the fiscal quarter ended September 29, 2018. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports was accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

In connection with the evaluation described above, there was no change in the Company's internal control over financial reporting during the fiscal quarter ended September 29, 2018, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

WEIS MARKETS, INC.

PART II – OTHER INFORMATION

ITEM 6. EXHIBITS

Exhibits

Exhibit 31.1 Rule a-14(a) Certification - CEO

Exhibit 31.2 Rule 13a-14(a) Certification - CFO

Exhibit 32 Certification Pursuant to 18 U.S.C. Section 1350

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WEIS MARKETS, INC.
(Registrant)

Date: 11/8/2018 /S/Jonathan H. Weis
Jonathan H. Weis
Chairman,
President and Chief Executive Officer
(Principal Executive Officer)

Date: 11/8/2018 /S/Scott F. Frost
Scott F. Frost
Senior Vice President, Chief Financial Officer
and Treasurer
(Principal Financial Officer)

