

SpartanNash Co
Form 10-K
February 27, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 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: 000-31127

SPARTANNASH COMPANY

(Exact Name of Registrant as Specified in Its Charter)

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

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Registrant's telephone number, including area code: (616) 878-2000

Securities registered pursuant to Section 12(b) of the Securities Exchange Act:

Title of Class	Name of Exchange on which Registered
Common Stock, no par value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Securities Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or 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 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

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates based on the last sales price of such stock on the NASDAQ Global Select Market on July 13, 2018 (which was the last trading day of the registrant's second quarter in the fiscal year ended December 29, 2018) was \$910,826,011.

The number of shares outstanding of the registrant's Common Stock, no par value, as of February 25, 2019 was 35,952,014, all of one class.

DOCUMENTS INCORPORATED BY REFERENCE

Part III, Items 10, 11, 12, 13 and 14 Proxy Statement for Annual Meeting to be held May 22, 2019

Forward-Looking Statements

The matters discussed in this Annual Report on Form 10-K, 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 Item 7 of this Annual Report on Form 10-K, 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 Annual 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 Annual Report on Form 10-K 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 Part I, "Item 1A. Risk Factors," of this report 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," and in Item 7, subheading "Critical Accounting Policies" in this report, both of which are incorporated here by reference, are intended to provide meaningful cautionary statements for purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. This should not be construed as a complete list of all of 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 Annual Report.

PART I

Item 1. Business

Overview

SpartanNash Company (together with its subsidiaries, "SpartanNash" or the "Company") is a Fortune 400 company whose core businesses include distributing grocery products to a diverse group of independent and chain retailers, its corporate owned retail stores, and military commissaries and exchanges. SpartanNash serves customer locations in all

50 United States (“U.S.”), the District of Columbia, Europe, Cuba, Puerto Rico, Honduras, Bahrain, Djibouti and Egypt. Through its Military segment, the Company is the exclusive worldwide supplier of private brand products to U.S. military commissaries. The Company’s Retail segment operates supermarkets that have a “neighborhood market” focus to distinguish them from supercenters and limited assortment stores. The Company operates three reportable business segments: Food Distribution, Military and Retail.

The Company’s fiscal year end is the Saturday closest to December 31. The following discussion is as of and for the fiscal years ending or ended December 28, 2019 (“2019”), December 29, 2018 (“2018” or “current year”), December 30, 2017 (“2017” or “prior year”) and December 31, 2016 (“2016”), all of which include 52 weeks. All fiscal quarters are 12 weeks, except for the Company’s first quarter, which is 16 weeks and will generally include the Easter holiday. The fourth quarter includes the Thanksgiving and Christmas holidays, and depending on the fiscal year end, may include the New Year’s holiday.

Established in 1917 as a cooperative grocery distributor, Spartan Stores Inc. merged with Nash-Finch Company (“Nash-Finch”) and the combined company was named SpartanNash Company. Unless the context otherwise requires, the use of the terms “SpartanNash,” and the “Company” in this Annual Report on Form 10-K refers to the surviving corporation SpartanNash Company and, as applicable, its consolidated subsidiaries.

The Company’s differentiated business model of Food Distribution, Military and Retail operations utilizes the complementary nature of each segment and enhances the ability of the Company’s independent retailers to compete in the grocery industry long-term. The model produces operational efficiencies, helps stimulate distribution product demand, and provides sharper visibility and broader business growth options. In addition, the diversification of the Food Distribution, Military and Retail segments provides added flexibility to pursue the best long-term growth opportunities in each segment.

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SpartanNash's mission is to leverage our expertise in food distribution and retail to develop, activate and provide impactful solutions that exceed expectations for associates, customers and business partners. In addition, the Company strives to create value for the Company's shareholders, retailers, and customers. To support these objectives, the Company has the following priorities and strategies within its Food Distribution, Military, and Retail segments:

Food Distribution Segment:

- Maximize growth opportunities by leveraging the Company's unique combination of supply chain capabilities and retail competency to exceed the expectations of current and prospective customers.
- Optimize and grow the supply chain network to create a highly efficient national distribution platform that provides innovative and impactful supply chain solutions for a variety of different sales channels.
- Proactively pursue financially and strategically attractive acquisition opportunities.
- Transform the SpartanNash fresh, fresh-prepared produce and prepared meal solutions to differentiate our offerings and increase market share.
- Continue to elevate private brands to a best-in-class offering that matches customer needs and preferences through a selection of private brands focused on quality, value, variety, taste and convenience.
- Capitalize on opportunities for growth and diversification in the non-traditional space by growing with the Company's national customers and developing flexible solutions.

Military Segment:

- Continue to support the partnership with the Defense Commissary Agency ("DeCA") through continued expansion of its private brand initiative and overall goal of increasing business at the commissaries by offering one-stop shopping and value for military customers.
- Grow the business through additional product offerings to DeCA and by developing a produce solution for the territories the Company serves.
- Leverage the size and scale of the Company's Food Distribution and Retail segments to attract additional customers to the Company's Military platform, while leveraging the Company's strong supply chain network.

Retail Segment:

- Continue the expansion of the Company's refreshed brand positioning and execute a more significant implementation in 2019, which will enhance the customer's store experience.
- Provide customers with high quality fresh offerings, value beyond price, affordable wellness, focus on local, indulgence and discovery in the shopping experience and social consciousness and responsibility all with a best-in-class customer experience.
- Increase customer satisfaction and loyalty by providing quicker, more convenient shopping experiences through the continued expansion of Fast Lane, the Company's e-commerce solution, which offers online ordering, curbside pick-up and delivery services. Invest in additional technologies that improve the customer experience.
- Successfully integrate Martin's Super Markets ("Martin's"), a retailer acquired in early 2019, to leverage Martin's existing strong brand and execution in the northern Indiana and southwest Michigan markets, while balancing the support, scale and execution strategies of the Company.

Supply Chain Network:

- Execute innovative solutions to both meet the demands of the Company's growing Food Distribution segment customers as well as to combat current transportation industry headwinds.
- Leverage the Company's competitive position, scale and financial flexibility to further grow its distribution channels through existing and new solutions.

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Gain efficiency and productivity by leveraging one supply chain network across segments to further realize benefits from continued investments in the optimization of the supply chain network.

• Achieve best-in-class fill rates through stronger collaboration processes with vendors and warehouse operations partners. Realize benefits through instituting a vendor and carrier compliance program and leveraging current technologies in both replenishment and inventory management.

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Food Distribution Segment

The Company's Food Distribution segment uses a multi-channel sales approach to distribute grocery products to independent retailers, national retailers, food service distributors, e-commerce providers, and the Company's corporate owned retail stores. Total net sales from the Company's Food Distribution segment, including sales to corporate owned retail stores that are eliminated in the consolidated financial statements, totaled approximately \$4.8 billion for 2018. As of the end of 2018, the Company believes it is the fifth largest wholesale distributor, in terms of annual revenue, to supermarkets in the United States.

Customers. The Company's Food Distribution segment supplies grocery products to a diverse group of approximately 2,100 independent retail locations with operations ranging from a single store to regional supermarket chains, food service distributors and the Company's corporate owned retail stores. As of December 29, 2018, the Company operates in all 50 states by leveraging a platform of 19 distribution centers, as well as third party shipping partners, servicing the Food Distribution and Military segments, with the greatest sales concentration in the Midwest and South regions. This extensive geographic reach drives economies of scale and provides opportunities for independent retailers to purchase products at competitive prices in order to effectively compete in the grocery industry long-term.

Through its Food Distribution segment, the Company also services national retailers, including Dollar General. Sales to Dollar General are made to approximately 15,500 of its retail locations, with sales representing 16.4%, 14.0%, and 11.2% of consolidated net sales for 2018, 2017 and 2016, respectively. The Company's Food Distribution customer base is diverse, and no other single customer exceeded 3% of consolidated net sales in any of the years presented.

The Company's ten largest Food Distribution customers (excluding corporate owned retail stores) accounted for approximately 58% of total Food Distribution net sales for 2018. Approximately 85% of Food Distribution net sales for 2018 are covered under supply agreements with retailer customers.

Products. The Company's Food Distribution segment provides a selection of approximately 60,000 stock-keeping units (SKUs) of nationally branded and private brand grocery products (see "Marketing and Merchandising – Private Brands") and perishable food products, including dry groceries, produce, dairy products, meat, delicatessen items, bakery goods, frozen food, seafood, floral products, general merchandise, beverages, tobacco products, health and beauty care products and pharmacy. The product offering also includes fresh protein-based foods, prepared meals, and value-added products such as fresh-cut fruits and vegetables and prepared salads, which the Company manufactures. These product offerings, along with best in class services, allow independent retailers the opportunity to support the majority of their operations with a single supplier.

Valued-Added Services. The Company provides a comprehensive menu of valued-added services designed to assist independent retailers in becoming more profitable, efficient, competitive, and informed. The Company's service departments are strategic partners who provide solutions when time and resources are limited for the independent customers. From real estate and site surveys to a full spectrum of merchandising and marketing solutions, independent retailers can find the support they need to effectively operate their businesses. The Company provides over 100 distinct value-added services, including the following:

Retail Development and Consulting	Consumer Research
Website design	Site development and store design
Merchandising	Product Reclamation
Marketing and Advertising Solutions	Inventory Support
Shelf Management and Planograms	Category Management

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Accounting, Payroll and Tax Preparation
Food Safety and Environmental Health
Asset Protection
Supply Solutions
E- Commerce

Customer Service and Order Entry
Pharmacy Retail and Procurement Services
Retail Pricing
Associate Training
Information Services and Technology Solutions

Military Segment

The Company's Military segment contracts with manufacturers and brokers to distribute a wide variety of grocery products, including dry groceries, beverages, meat, and frozen foods, primarily to U.S. military commissaries and exchanges. The Company's Military segment, together with its partner, Coastal Pacific Food Distributors ("CPFD"), represents the only delivery solution to service DeCA worldwide.

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DeCA operates a chain of 237 commissaries on U.S. military installations across the world that sells approximately \$4.6 billion of grocery products annually. The Company distributes grocery products to 160 military commissaries and over 450 exchanges located in 39 states across the United States and the District of Columbia, Europe, Cuba, Puerto Rico, Honduras, Bahrain, Djibouti and Egypt. The Company's distribution centers are strategically located among the largest concentration of military bases in the areas the Company serves and near Atlantic ports used to ship grocery products to overseas commissaries and exchanges.

The Company is also the DeCA exclusive worldwide supplier of private brand grocery and related products to all U.S. military commissaries and exchanges. In accordance with its contract with DeCA, the Company procures the grocery and related products from various manufacturers and upon receiving customer orders from DeCA either delivers the products to the U.S. military commissaries itself or engages CPFD to deliver the products on its behalf. There are over 700 SKUs of private brand products currently in the DeCA system as of December 29, 2018, and the Company anticipates up to 1,000 SKUs will be active within the program by the end of 2019.

DeCA contracts with manufacturers to obtain grocery products for the commissary system. Manufacturers either deliver the products to the commissaries themselves or, more commonly, contract with distributors such as SpartanNash to deliver the products. Manufacturers must authorize the distributors as their official representatives to DeCA, and the distributors must adhere to DeCA's frequent delivery system ("FDS") procedures governing matters such as product identification, ordering and processing, information exchange and resolution of discrepancies. The Company obtains distribution contracts with manufacturers through competitive bidding processes and direct negotiations.

As of December 29, 2018, the Company has approximately 250 distribution contracts representing approximately 600 manufacturers that supply products to the DeCA commissary system and various exchange systems. Generally, larger contracts or those subject to a request-for-proposal process have definitive durations, whereas smaller contracts generally have indefinite terms; and all contract types allow for termination by either party without cause upon 30 days prior written notice to the other party. The contracts typically specify which commissaries and exchanges to supply on behalf of the manufacturer, the manufacturer's products to be supplied, service and delivery requirements, and pricing and payment terms. The Company's ten largest manufacturer customers represented approximately 44.9% of the Company's Military segment sales for 2018.

As commissaries need to be restocked, DeCA identifies the manufacturer with which an order is to be placed, determines which distributor is the manufacturer's official representative for a particular commissary or exchange location, and then places a product order with that distributor under the auspices of DeCA's master contract with the applicable manufacturer. The distributor selects that product from its existing inventory, delivers it to the commissary or commissaries designated by DeCA, and bills the manufacturer for the product shipped. The manufacturer then bills DeCA under the terms of its master contract. Overseas commissaries are serviced in a similar fashion, except that a distributor's responsibility is to deliver products as and when needed to the port designated by DeCA, which in turn bears the responsibility for shipping the product to the applicable commissary or overseas warehouse. Due to the unique terms of this arrangement, working capital requirements are significant.

After the Company ships a particular manufacturer's products to commissaries in response to an order from DeCA, the Company invoices the manufacturer for the product price plus a drayage fee that is typically based on a percentage of the purchase price. In some instances, invoices may be based on a dollar amount per case or per pound of product sold. The Company's order handling and invoicing activities are facilitated by its procurement and billing systems developed specifically for the Military business, which address the unique aspects of its business, and provide the Company's manufacturer customers with a web-based, interactive means of accessing critical order, inventory and

delivery information.

Retail Segment

As of December 29, 2018, the Company operates 139 corporate owned retail stores in eight states, predominantly in the Midwest, primarily under the banners of Family Fare Supermarkets, D&W Fresh Market, VG's Grocery, Dan's Supermarket and Family Fresh Market. With the acquisition of Martin's on December 31, 2018, the Company now operates an additional 21 corporate owned retail stores in northern Indiana and southwestern Michigan. Retail banners and numbers of stores are more fully detailed in Item 2, "Properties," of this report. The Company's corporate owned retail stores range in size from approximately 14,000 to 90,000 total square feet, or on average, approximately 41,000 total square feet per store.

The Company's neighborhood market strategy distinguishes its corporate owned retail stores from supercenters and limited assortment stores by focusing on value beyond price, affordable wellness, commitment to local products, indulgence and discovery in the shopping experience and caring for the community and environment. The Company's strategy is also focused on increasing customer satisfaction through quality service and convenience. Through the Company's e-commerce solution, Fast Lane, as well as other third party providers, the Company offers online grocery shopping and curbside pickup or delivery at 83 of its corporate owned retail locations.

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The Company's corporate owned retail stores offer nationally branded and private brand grocery products (see "Marketing and Merchandising – Private Brands"), as well as perishable food products including dry groceries, produce, dairy products, meat, delicatessen items, bakery goods, frozen food, seafood, floral products, general merchandise, beverages, tobacco products and health and beauty care products. Private brand grocery products typically generate higher retail margins while also improving customer loyalty by offering quality products at affordable prices.

As of December 29, 2018, the Company offers pharmacy services in 82 of its corporate owned retail stores (of which 72 of the pharmacies are owned) and operates one free-standing pharmacy location. The Company believes the pharmacy service offering in its corporate owned retail stores is an important part of the consumer experience. In its Michigan pharmacies and a number of its pharmacies in Minnesota and Nebraska, the Company offers free medications (antibiotics, diabetic medications and prenatal vitamins) along with low cost generic drugs, and meal planning solutions for preventative health and education for its customers.

As of December 29, 2018, the Company operates 29 fuel centers primarily at its corporate owned retail stores operating predominantly under the banners Family Fare Quick Stop and D&W Quick Stop. These fuel centers offer refueling facilities and in the adjacent convenience store, a limited variety of popular consumable products. The Company's prototypical Quick Stop stores are approximately 1,100 square feet in size.

The following chart details the changes in the number of corporate owned retail stores over the last five fiscal years:

	2014	2015	2016	2017	2018
Number of stores at beginning of year	172	162	163	157	145
Stores acquired or constructed during year	1	7	—	—	—
Stores closed or sold during year	11	6	6	12	6
Number of stores at end of year	162	163	157	145	139

During 2018, the Company completed five remodels. The Company expects to continue making targeted capital investments during 2019 in connection with its retail brand positioning initiative. Where opportunities arise, the Company may open new retail and fuel center locations or enter into partnerships with existing fuel center operations. The Company will continue to evaluate its store base and may close or sell stores in 2019 in line with its store rationalization initiatives.

In the first quarter of 2019 the Company acquired Martin's, a leading family-owned and operated Midwest independent supermarket chain. This acquisition expanded the Company's corporate retail footprint into the adjacent regions of northern Indiana and southwestern Michigan. Martin's was previously a Food Distribution segment customer of the Company, and SpartanNash's and Martin's merchandising, marketing, and operations teams have a history of working collaboratively on many business improvement projects.

Supply Chain Network

The Company continues to integrate its supply chain organization to optimize the network, increase asset utilization and leverage programs that will drive more value for its retailers, customers, and shareholders. The Company continually reviews the optimization of its network and, through doing so, has expanded Food Distribution operations in select facilities which were previously dedicated solely to the Military segment.

The Company's distribution network is composed of 19 distribution centers, which are utilized to service the Food Distribution and Military segments. The distribution centers provide for approximately 8.6 million total square feet of warehouse space. The Company has new and ongoing initiatives to improve the efficiency of its supply chain through

innovation, investments in technology and automation.

The Company operates a fleet with over 500 over-the-road tractors, 450 dry vans, and 1,000 refrigerated trailers and has begun adding a fleet of multi-temperature straight trucks to improve its delivery performance to its growing number of smaller format store customers. Through routing optimization systems, the Company carefully manages the more than 64 million miles driven by its fleet and third-party carriers annually servicing military commissaries, exchanges, independent retailers, national retailers and corporate owned retail stores.

Reporting Segment Financial Data and Products

Refer to the segment information in the notes to consolidated financial statements for additional information about the Company's sales by type of similar products and services. All of the Company's sales and assets are in the United States of America. Consolidated net sales include the net sales of its Food Distribution segment, which exclude sales to corporate owned retail stores, the net sales of its Military segment, and the net sales of its corporate owned retail stores and fuel centers in its Retail segment.

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Discontinued Operations

Certain of the Company's Food Distribution and Retail segment operations have been recorded as discontinued operations. Discontinued operations consist of certain locations that have been closed or sold.

Marketing and Merchandising

General. The Company continues to align its marketing and merchandising strategies with current consumer behaviors by delivering initiatives centered on personalization, value beyond price, affordable wellness, local focus, indulgence and discovery and social responsibility – all designed to enhance the shopping experience. During 2018, the Company continued to refresh its brand positioning for Family Fare, its primary retail banner, to incorporate these areas of focus and respond to evolving customer needs. These strategies seek to use consumer data and insights to deliver products, promotions, content and experiences to satisfy the consumer's needs.

The Company believes that data from its "yes"TM loyalty program gives it competitive insight into consumer shopping behavior. This gives the Company the flexibility to adapt to rapidly changing conditions by making tactical and more effective adjustments to its marketing and merchandising programs. As investments are made to remodel and/or rebanner various stores, the Company continues to roll out the "yes"TM program to expand its knowledge of its customers and to provide its loyalty rewards in additional markets. During fiscal 2019, the Company will also begin using artificial intelligence to develop and optimize its weekly circular.

The Company has been building tools and capabilities to enable relevant, personalized content across its marketing channels and focusing on expanding its digital, social and mobile capabilities. Mobile apps specific to each retail banner, provide consumers with the ability to view store ads, create shopping lists, shop via Fast Lane, clip coupons, and join virtual shopping clubs from their mobile device. The Company also piloted a mobile self-checkout application, and expanded its e-commerce platform. These enhancements will help the Company build longer-term customer loyalty through convenience and value, maintain efficient marketing spend and increase return on investment, improve its sales growth opportunities, and further strengthen its business position. As the Company continues to build these capabilities, along with its other strategies, the Company will continue to share its marketing and merchandising learnings and best practices across its independent customer base within the Food Distribution segment.

In addition to sharing the expertise gained in its Retail operations, the Company differentiates itself from its competitors by offering a full set of value-added support services to its Food Distribution customers. These services, which are further described above, help the independent retailers to operate and compete effectively, and many of them are not offered by the Company's competition.

As the Company works to better differentiate its Retail stores and implement its refreshed brand positioning, the Company is selectively adding products and services to better meet customers' changing needs. For instance, the Company is adding full service meat and seafood departments which include many items handmade in store, and has added produce preparation services, smokehouses, expanded beer and wine selections, and other offerings to enhance the customers' experience. The Company has been refreshing its in-store messaging and décor. Signage and displays are being updated in departments such as pet products, laundry, and snacks in order to improve foot traffic in these aisles and drive sales. The Company continues to add fuel centers and Starbucks or Caribou Coffee shops in certain corporate owned retail stores, and also provides consumers with fuel purchase discounts at fuel centers through its corporate owned retail stores or by partnering with third party fuel centers.

As consumers increasingly emphasize affordable wellness, the Company believes that it can be a provider and resource for products and services that will support their needs. In 2018, the Company expanded its offerings and partnerships and undertook the following key initiatives. First, the Company continued to expand its “Living Well” product offerings through in-line merchandising concepts. Second, the Company established partnerships with health systems and providers to provide wellness specialist-led store tours to help educate consumers to make healthier food choices. Third, the Company increased its retail product offering and assortment for organic, gluten-free, meat-free, non-GMO products and other healthier food options. Finally, the Company offers a best in class pharmacy program, including low cost generics and free diabetic and prenatal prescriptions.

In support of its commitment to local products and caring for the community and environment, the Company is proud to work with local farmers and vendors to provide locally grown produce and products in many of its stores. The Company offers a significant selection of local products in many of its stores, well in excess of most of its competitors’ offerings. In some of its stores, the Company collects items from customers for recycling, and the Company has been recognized as a best-in-class recycler of its own waste. Also, in an effort to reduce costs and reduce its environmental footprint, the Company has many initiatives to reduce energy usage, including the installation of energy efficient lighting and refrigeration in its stores.

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Private Brands. SpartanNash provides a best-in-class private brand program, offering a full line of proprietary and licensed private brands in its corporate owned retail stores and its independent retailer customers, as well as partnering with DeCA in the design and launch of its private brand program. SpartanNash believes that its private brand offerings are some of its most valuable strategic assets, demonstrated through customer loyalty and profitability. The Company continues to invest in improvements to its private brands by offering quality, value, and assortment, and believes the success of its private brands to be of vital importance. The Company's products have been frequently recognized for excellence in packaging design and product development.

The Company continues to enhance its private brand programs for both independent customers and corporate owned retail stores, and in 2018, completed the launch of its Our Family® private brand into its Michigan stores. The transition from the Spartan™ brand to Our Family® provides the Company with a company-wide, national brand equivalent or better quality program, while allowing the Company to streamline its supply chain to deliver a larger variety of product offerings at a lower cost to consumers. Additionally, Eternal Oceans™ was launched as the Company's sustainability initiative for seafood within the Open Acres™ brand. SpartanNash also launched a product declaration "free from" initiative, with a goal of assigning brand specific bullets alerting consumers of certain undesirable ingredients that have been eliminated from products, creating a "cleaner" product offering. The Company expects this program to continue and become core to the Company's product development principles in all future development. The Company plans to introduce approximately 350 additional new items in 2019 throughout its private brand portfolio.

SpartanNash currently markets and distributes private brand items primarily under the following brands: Our Family® (national brand equivalent or better grocery products); Open Acres™ (fresh products); Top Care (health and beauty care); Tippy Toes (baby); Full Circle™ (organic and wellness); Culinary Tours™ (premium quality foods); PAWS Premium (pet supplies); Valu Time (value) Simply Done (non-food products); and Pure Harmony (premium pet food). SpartanNash is also the exclusive worldwide distributor of DeCA's private brands, Freedom's Choice® and Home Base®.

Competition

The Company's Food Distribution, Military and Retail segments operate in a highly competitive industry, which typically results in low profit margins for the industry as a whole. The Company competes with, among others, regional and national grocery distributors, large chain stores that have integrated wholesale and retail operations, mass merchandisers, e-commerce providers, deep discount retailers, limited assortment stores and wholesale membership clubs, many of whom have greater resources than the Company. The Company also faces competition from rapidly growing alternative retail channels, such as dollar stores, discount supermarket chains, Internet-based retailers and meal-delivery services.

The Food Distribution segment competes directly with a number of traditional and specialty grocery wholesalers and retailers that maintain or develop self-distribution systems for the business of independent grocery retailers. In addition, the Company's independent customers face intense competition from supercenters, deep discounters, mass merchandisers, limited assortment stores, and e-commerce providers. The Company partners with its customers to help them compete effectively. The primary competitive factors in the Food Distribution business include price, service level, product quality, variety and other value-added services.

The Company is one of fewer than five distributors in the United States with annual sales to the DeCA commissary system in excess of \$100 million that distributes products via the frequent delivery system. The remaining distributors that supply DeCA tend to be smaller regional and local providers. In addition, manufacturers contract with others to deliver certain products, such as baking supplies, produce, delicatessen items, soft drinks and snack items, directly to

DeCA commissaries and service exchanges. Because of the low margins in this industry, it is of critical importance for distributors to achieve economies of scale, which is typically a function of the density or concentration of military bases within the geographic area(s) a distributor serves. As a result, no single distributor in this industry, by itself, has a nationwide presence. Rather, distributors generally concentrate on specific regions, or areas within specific regions, where they can achieve critical mass and utilize warehouse and distribution facilities efficiently. In addition, distributors that operate larger non-military specific distribution businesses tend to compete for DeCA commissary business in areas where such business would enable them to more efficiently utilize the capacity of their existing distribution centers. The Company believes the principal competitive factors among distributors within this industry are customer service, price, operating efficiencies, reputation with DeCA and location of distribution centers. The Company believes its competitive position is strong with respect to all of these factors within the geographic areas where it competes. Despite the ongoing commissary sales challenges, the Company has been working diligently to realize opportunities and has expanded vendor relationships to new military bases and continues to roll out DeCA's private brand product offerings. The Company believes that the private brand offering, when fully executed, will help drive more traffic and business into the commissaries as a whole. By providing a combination of national and private brand products, the commissaries are offering one-stop shopping for military consumers, which should benefit all of the constituents of the DeCA system.

The principal competitive factors in the Retail business include the location and image of the store; the price, quality and variety of the fresh offering; and the quality, convenience and consistency of service. In addition to competing with traditional grocery stores, the Company competes with supercenters, deep discounters, mass merchandisers, limited assortment stores, and e-commerce providers. The Company believes it has developed and implemented strategies and processes that allow it to be competitive in its Retail segment by providing convenience, customer experience, and the assortment consumers demand. The Company monitors planned competitive store openings and uses established proactive strategies to respond to new competition both before and after competitive store openings. Strategies to react to competition vary based on many factors, such as the competitor's format, strengths, weaknesses, pricing and sales focus. During the past three fiscal years, seven competitor supercenters opened in geographic areas in which the Company currently operates corporate owned retail stores and one additional opening is expected to occur during 2019. As a result of these openings, the Company believes the majority of its supermarkets compete with one or more supercenters. The Company has continued to respond to growing competition from online and non-traditional retailers by adding options and services such as online ordering, curbside pick-up, and home delivery.

Seasonality

In certain geographic areas, the Company's sales and operating performance for each reportable segment varies with seasonality. Many stores are dependent on tourism, and therefore, are most affected by seasons and weather patterns, including, but not limited to, the amount and timing of snowfall during the winter months and the range of temperature during the summer months. All fiscal quarters are 12 weeks, except for the Company's first quarter, which is 16 weeks and will generally include the Easter holiday. The fourth quarter includes the Thanksgiving and Christmas holidays, and depending on the fiscal year end, may include the New Year's holiday.

Suppliers

The Company purchases products from a large number of national, regional and local suppliers of name brand and private brand merchandise. The Company has not encountered any material difficulty in procuring or maintaining an adequate level of products to serve its customers. No single supplier accounts for more than 5% of the Company's purchases. The Company continues to develop strategic relationships with key suppliers and believes this will prove valuable in the development of enhanced promotional programs and consumer value perceptions.

Intellectual Property

The Company owns valuable intellectual property, including trademarks, tradenames, and other proprietary information, some of which are of material importance to its business.

Technology

In 2018, the Company focused on the continued standardization of its supply chain systems, enhancing the manufacturing systems in its food processing operations and enhancement of the consumer digital presence in its corporate retail stores and technology solutions to support its growth with large customers. Additionally, there have been many projects to expand and update technologies in support of various business and operational needs, as detailed in the sections below.

Supply Chain. During 2018, the Company commenced an initiative to standardize the order management system for the Food Distribution business, which included the areas of inventory management, distribution pricing and invoicing system. The Company also began the installation of a new forecasting system for the Food Distribution business. The

company also completed the implementation of the first phase of converting the Company's independent customers to a new Business-to-Business technology.

Retail Systems. The Company expanded e-commerce solutions through the continued growth of Fast Lane, a curbside pick-up and delivery service available in its corporate owned retail stores. All locations feature curbside pickup and delivery is available in several markets. The Company released major upgrades to its consumer web and mobile applications in 2018 and continued to enhance these systems throughout the year. The Company completed the installation of a new computer-assisted ordering system for all stores in the Michigan region. This technology will be installed in all of the Company's remaining retail locations in 2019. The Company also began a pilot program for a scan and bag application, which will enable customers to check out from their smart phone while they shop. Finally, the Company upgraded hardware to support Chip-and-PIN functionality in all retail fuel locations.

Manufacturing Systems. During 2018 the Company installed a manufacturing system in one of its food processing areas. The system installation in the remaining food processing area will be completed in 2019. The Company installed a quality control tracking system for use in its food processing and private brand operations which will supplement the Company's food safety efforts.

Administrative Systems and Infrastructure. The company began the process of upgrading its financial systems and enhancing its human resource systems in 2018. The Company installed additional upgrades to its infrastructure in its primary and back up data centers to improve storage capacity, performance and flexibility for disaster recovery and non-stop processing.

Associates

As of December 29, 2018, the Company employs approximately 14,000 associates, 8,800 on a full-time basis and 5,200 on a part-time basis. Approximately 1,300 associates, or 9% of the total workforce, were represented by unions under collective bargaining agreements. The collective bargaining agreements covering these associates will expire between April 2019 and January 2022 or have been extended on their own terms and have a contemplated expiration date in February 2022. The Company successfully completed negotiations with union members of the collective bargaining agreement in the Lima distribution center in early 2019. The Company considers its relations with its union and non-union associates to be good and has not had any material work stoppages in over twenty years.

Regulation

The Company is subject to federal, state and local laws and regulations concerning the conduct of its business, including those pertaining to the workforce and the purchase, handling, sale and transportation of its products. Many of the Company's products are subject to federal Food and Drug Administration ("FDA") and United States Department of Agriculture ("USDA") regulation. The Company believes that it is in compliance, in all material respects, with the FDA, USDA and other federal, state and local laws and regulations governing its businesses.

Forward-Looking Statements

The matters discussed in this Item 1 include forward-looking statements. See "Forward-Looking Statements" at the beginning of this Annual Report on Form 10-K.

Available Information

SpartanNash's web address is www.spartannash.com. The inclusion of the Company's web address in this Form 10-K does not include or incorporate by reference the information on or accessible through the Company's website, and the information contained on or accessible through those websites should not be considered as part of this Form 10-K. The Company makes its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports (and amendments to those reports) filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 available on the Company's website as soon as reasonably practicable after the Company electronically files or furnishes such materials with the SEC. Interested persons can view such materials without charge by clicking on "For Investors" and then "SEC Filings" on the Company's website. SpartanNash is a "large accelerated filer" within the meaning of Rule 12b-2 under the Securities Exchange Act.

Item 1A. Risk Factors

The Company faces many risks. If any of the events or circumstances described in the following risk factors occur, the Company's financial condition or results of operations may suffer, and the trading price of the Company's common stock could decline. This discussion of risk factors should be read in conjunction with the other information in this Annual Report on Form 10-K. All of these forward-looking statements are affected by the risk factors discussed in this item and this discussion of risk factors should be read in conjunction with the discussion of forward-looking

statements, which appears at the beginning of this report.

Business and Operational Risks

The Company operates in an extremely competitive industry. Many of the Company's competitors are much larger and may be able to compete more effectively.

The Company's Food Distribution and Retail segments have many competitors, including regional and national grocery distributors, large chain stores that have integrated wholesale and retail operations, mass merchandisers, e-commerce providers, deep discount retailers, limited assortment stores and wholesale membership clubs. The Company's Military segment faces competition from large national and regional food distributors and smaller distributors. Many of the Company's competitors have greater resources than the Company.

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Industry consolidation, alternative store formats, nontraditional competitors and e-commerce have contributed to market share losses for traditional grocery stores. The Company's Food Distribution, Military and Retail segments are primarily focused on traditional retail grocery trade, which faces competition from faster growing alternative retail channels, such as dollar stores, discount supermarket chains, Internet-based retailers and meal-delivery services. The Company expects these trends to continue. If the Company is not successful in competing with these alternative channels, or growing sales into such channels, its business or financial results may be adversely impacted.

The Company may not be able to realize profitability from its Fresh Kitchen operations and may incur significant costs to support and onboard new business.

As part of the 2017 Caito Foods Service, Inc. ("Caito") and Blue Ribbon Transport, Inc. ("BRT") acquisition, the Company acquired a fresh cut and a new Fresh Kitchen facility that, at the time of acquisition, was in the process of being constructed. The Fresh Kitchen had no history of operations, and the Company has experienced delays in achieving efficient levels of production volume and realizing the sales pipeline. The Company expects that the Fresh Kitchen will not be profitable in the short-term, and there is no guarantee it will be profitable in the long-term. The Company continues to make investments of resources to support these businesses, which may result in significant ongoing operating expenses and may divert resources and management attention from other areas of the organization. If the Company fails to successfully integrate this business and develop new sales opportunities, it may not realize the benefits expected from the transaction and it may not perform to expectations.

The private brand program for U.S. military commissaries may not achieve the desired results.

In December 2016, the Defense Commissary Agency ("DeCA" or "the Agency"), which operates U.S. military commissaries worldwide, competitively awarded the Company the contract to support and supply products for the Agency's private brand product program. Private brand products had not previously been offered in the Agency's commissaries. Throughout the implementation and first two years of the program, the Company has invested and will continue to invest significant resources as it partners with DeCA to continue to expand the program, however there is no guarantee of its success. The Company expects that DeCA will face significant competition in each product category from national brands that are familiar to consumers. If the Agency is unable to drive traffic and business at the commissaries by offering one-stop shopping for military customers through a combination of both national and private brand offerings, then both DeCA and the Company may be unable to achieve expected returns from this program, which could have a material adverse effect on the Company's business. The success of the program will depend in part on factors beyond the Company's control, including the actions of the Agency.

The Company may not be able to implement its strategy of growth through acquisitions or successfully integrate acquired businesses.

Part of the Company's growth strategy involves selected acquisitions of additional distribution operations, and to a lesser extent, retail grocery stores. Given the recent consolidation activity and limited number of potential acquisition targets within the food industry, the Company may not be able to identify suitable targets for acquisition and may make acquisitions which do not achieve the desired level of profitability or sales. Additionally, because the Company operates in the Food Distribution business, future acquisitions of retail grocery stores could result in the Company competing with its independent retailers and could adversely affect existing business relationships with those customers. As a result, the Company may not be able to identify suitable acquisition candidates in the future, complete acquisitions or obtain the necessary financing and this may adversely affect the Company's ability to grow profitably. If the Company fails to successfully integrate business acquisitions and realize planned synergies, the business may not perform to expectations.

Substantial operating losses may occur if the customers to whom the Company extends credit or for whom the Company guarantees loans or lease obligations fail to repay the Company.

From time to time, the Company may advance funds, extend credit and lend money to certain independent retailers and guarantee loan or lease obligations of certain customers. The Company seeks to obtain security interest and other credit support in connection with these arrangements, but the collateral may not be sufficient to cover the Company's exposure. Greater than expected losses from existing or future credit extensions, loans, guarantee commitments or sublease arrangements could negatively and materially impact the Company's operating results and financial condition.

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Changes in relationships with the Company's vendor base may adversely affect its business, margins, and profitability.

The Company sources the products it sells from a wide variety of vendors. The Company generally does not have long-term written contracts with its major suppliers that would require them to continue supplying merchandise. The Company depends on its vendors for appropriate allocation of merchandise, assortments of products, operation of vendor-focused shopping experiences within its stores, and funding for various forms of promotional allowances. There has been significant consolidation in the food industry, and this consolidation may continue to the Company's commercial disadvantage. Such changes could have a material adverse impact on the Company's revenues and profitability.

Disruptions to the Company's information technology systems, including security breaches and cyber-attacks, could negatively affect the Company's business.

The Company has complex information technology ("IT") systems that are important to its business operations. It also employs mobile devices, social networking and other online activities to connect with customers, associates, suppliers, and business partners. The Company receives, transmits, and stores many types of sensitive information, including consumers' personal information, information belonging to vendors, business partners, and other third parties, and the Company's proprietary, confidential, or sensitive information. As a result, the Company faces risks of security breaches, system disruption, theft, espionage, inadvertent release of information, and other technology-related disruptions. The Company could incur significant losses due to any such event.

Although the Company has implemented security programs and disaster recovery facilities and procedures, cyber threats evolve rapidly and are becoming more sophisticated. Despite the Company's efforts to secure its information and systems, cyber attackers may defeat the security measures and compromise the personal information of consumers, vendors, business partners, associates and other sensitive information. Associate error, faulty password management or other problems may compromise the security measures and result in a breach of the Company's information systems, systems disruptions, data theft or other criminal activity. This could result in a loss of sales or profits or cause the Company to incur significant costs to restore its systems or to reimburse third parties for damages.

Threats to security or the occurrence of severe weather conditions, natural disasters or other unforeseen events could harm the Company's business.

The Company's business could be severely impacted by severe weather conditions, natural disasters, or other events that could affect the warehouse and transportation infrastructure used by the Company and its vendors to supply the Company's corporate owned retail stores, and Food Distribution and Military customers. While the Company believes it has adopted commercially reasonable precautions, insurance programs, and contingency plans; the damage or destruction of Company facilities could compromise its ability to distribute products and generate sales. Unseasonable weather conditions that impact growing conditions and the availability of food could also adversely affect sales, profits and asset values.

Impairment charges for goodwill or other long-lived assets could adversely affect the Company's financial condition and results of operations.

The Company is required to perform an annual impairment test for goodwill and other long-lived tangible and intangible assets in the fourth quarter of each year, or more frequently if indicators are present or changes in circumstances suggest that impairment may exist. Testing goodwill and other assets for impairment requires management to make significant estimates about the Company's future performance, cash flows, and other

assumptions that can be affected by potential changes in economic, industry or market conditions, business operations, competition, or – for goodwill – the Company’s stock price and market capitalization. Changes in these factors, or changes in actual performance compared with estimates of the Company’s future performance, may affect the fair value of goodwill or other assets. This could result in the Company recording a non-cash impairment charge for goodwill or other intangible assets in the period the determination of impairment is made. The Company cannot accurately predict the amount and timing of any impairment of assets. Should the value of goodwill or other assets become impaired, the Company’s financial condition and results of operations may be adversely affected.

It may be difficult for the Company to attract and retain well-qualified associates, which would adversely affect the Company’s profitability and growth.

Recent low levels of unemployment have made it increasingly difficult to attract and retain qualified associates and have caused upward pressure on wages. If the Company is unable to attract and retain quality associates to meet its needs, the Company could be required to increase its compensation offering, reduce staffing below optimal levels, or rely more on higher-cost third-party providers, which could adversely affect the Company’s profitability and growth. The Company’s success depends to a significant degree upon the continued contributions of senior management. The loss of any key member of the Company’s management team may prevent it from implementing its business plans in a timely manner. The Company cannot assure that successors of comparable ability will be identified and appointed and that the Company’s business will not be adversely affected.

Legal, Regulatory and Legislative Risks

The Company's Military segment is dependent upon domestic and international military operations. A change in the military commissary system, including its supply chain, or a change in the level of governmental funding, could negatively impact the Company's results of operations and financial condition.

Because the Company's Military segment sells and distributes grocery products to military commissaries and exchanges in the United States and overseas, any material changes in the commissary system, the level of governmental funding to DeCA, military staffing levels, or locations of bases, or DeCA's supply chain may have a corresponding impact on the sales and operating performance of this segment. These changes could include privatization of some or all of the military commissary system, relocation or consolidation of commissaries and exchanges, base closings, troop redeployments or consolidations in the geographic areas containing commissaries and exchanges served by the Company, or a reduction in the number of persons having access to the commissaries and exchanges. Mandated reductions in the government expenditures, including those imposed as a result of a sequestration, may impact the level of funding to DeCA and could have a material impact on the Company's operations. If DeCA were to make material changes to its supply chain model, for example by limiting distribution authorization, then the Company's Military segment could be affected.

Product recalls or other safety concerns regarding the Company's products could harm the Company's business.

The Company faces risks related to the safety of the food products that it manufactures, distributes, and sells. It may need to recall such products for actual or alleged contamination, adulteration, mislabeling, or other safety concerns. The Company's acquisition of Caito has expanded its food production capabilities and ability to offer fresh fruits and vegetables, fresh protein-based foods and complete meals. These products, and other food products that the Company sells, are at risk of contamination by disease-causing organisms such as Salmonella, E. coli, and others. These pathogens are generally found in nature, and as a result, there is a risk that they could be present in the products manufactured, distributed or sold by the Company. The Company typically has little control over proper food handling before the Company's receipt of the product or once the product has been delivered to customers. Contamination risks may be controlled, although not eliminated, by good manufacturing practices and food safety programs. Recall costs can be material. A widespread product recall could result in significant losses due to the administrative costs of a recall, the destruction of inventory, and lost sales. Recalls and other food safety concerns can also result in product liability claims, adverse publicity, damage to the Company's reputation, and a loss of confidence in the safety and quality of its products. Customers may avoid purchasing certain products from the Company, or to seek alternative sources of supply for some or all of their food needs, even if the basis for concern is outside of the Company's control. Any loss of confidence on the part of the Company's customers would be difficult and costly to overcome. Any real or perceived issue regarding the safety of any food or drug items sold by the Company, regardless of the cause, could have a substantial and adverse effect on the Company's business.

A number of the Company's associates are covered by collective bargaining agreements, and unions may attempt to organize additional associates.

Approximately 36% and 14% of the Company's associates in its Food Distribution and Military business segments, respectively, are covered by collective bargaining agreements ("CBAs") which expire between April 2019 and January 2022 or which the Company is in the process of negotiating and have a contemplated expiration date of February 2022. The Company expects that rising healthcare, pension and other employee benefit costs, among other issues, will continue to be important topics of negotiation with the labor unions. Upon the expiration of the Company's CBAs, work stoppages by the affected workers could occur if the Company is unable to negotiate an acceptable contract with

the labor unions. This could significantly disrupt the Company's operations. Further, if the Company is unable to control healthcare and pension costs provided for in the CBAs, the Company may experience increased operating costs and an adverse impact on future results of operations.

While the Company believes that relations with its associates are good, the Company may continue to see additional union organizing campaigns. The potential for unionization could increase as any new related legislation or regulations are passed. The Company respects its associates' right to unionize or not to unionize. However, the unionization of a significant portion of the Company's workforce could increase the Company's overall costs at the affected locations and adversely affect its flexibility to run its business in the most efficient manner to remain competitive or acquire new business and could adversely affect its results of operations by increasing its labor costs or otherwise restricting its ability to maximize the efficiency of its operations.

Costs related to multi-employer pension plans and other postretirement plans could increase.

The Company contributes to the Central States Southeast and Southwest Pension Fund (the “Central States Plan” or the “Plan”), a multi-employer pension plan, based on obligations arising from its CBAs with Teamsters locals 406 and 908. SpartanNash does not administer or control this Plan, and the Company has relatively little control over the level of contributions the Company is required to make. Currently, the Central States Plan is underfunded and in critical and declining status, and as a result, contributions are scheduled to increase. The Company expects that contributions to this Plan will be subject to further increases. Benefit levels and related issues will continue to create collective bargaining challenges. The amount of any increase or decrease in its required contributions to this Plan will depend upon the outcome of collective bargaining, the actions taken by the trustees who manage the Plan, governmental regulations, actual return on investment of Plan assets, the continued viability and contributions of other contributing employers, and the potential payment of withdrawal liability should the Company choose to exit a geographic area, among other factors.

The Company also maintains defined benefit retirement plans for certain of its associates that do not participate in multi-employer pension plans. These plans are frozen. Expenses associated with the defined benefit plans may significantly increase due to changes to actuarial assumptions or investment returns on plan assets that are less favorable than projected. In addition, changes in the Company’s funding status could adversely affect the Company’s financial position.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

The following table lists the locations and approximate square footage of the Company's distribution centers used by its Food Distribution and Military segments as of December 29, 2018. The lease expiration dates for the distribution centers primarily servicing the Food Distribution segment range from November 2019 to February 2021, and for the Military segment range from October 2023 to November 2029. The Company believes that these facilities are generally well maintained and in good operating condition, have sufficient capacity, and are suitable and adequate to carry on its business for each of these segments.

Distribution Centers Location	Square Footage		
	Leased	Owned	Total
Grand Rapids, Michigan (a)	77,000	1,179,582	1,256,582
Norfolk, Virginia (b)	188,093	545,073	733,166
Omaha, Nebraska (a)	4,384	686,783	691,167
Bellefontaine, Ohio (a)	—	666,045	666,045
Oklahoma City, Oklahoma (b)	—	608,543	608,543
Columbus, Georgia (c)	478,702	—	478,702
Lima, Ohio (a)	—	517,552	517,552
Bloomington, Indiana (b)	—	471,277	471,277
San Antonio, Texas (c)	—	461,544	461,544
St. Cloud, Minnesota (a)	40,319	329,046	369,365
Lumberton, North Carolina (a)	386,129	—	386,129
Landover, Maryland (b)	368,088	—	368,088
Pensacola, Florida (b)	—	355,900	355,900
Indianapolis, Indiana (a) (d)	—	273,078	273,078
Fargo, North Dakota (a)	—	288,824	288,824
Sioux Falls, South Dakota (a)	79,300	196,114	275,414
Bluefield, Virginia (a)	—	187,531	187,531
Minot, North Dakota (a)	—	185,250	185,250
Lakeland, Florida (a)	—	42,125	42,125
Total Square Footage	1,622,015	6,994,267	8,616,282

(a) Distribution center services the Food Distribution segment.

(b) Distribution center services the Military segment.

(c) Distribution center services both the Food Distribution and Military segments. Based on utilization estimates at December 29, 2018, the Food Distribution segment utilizes 36,000 square feet and 33,365 square feet at the San Antonio and Columbus distribution centers, respectively. Also, the Columbus location requires periodic lease payments to the holder of the outstanding industrial revenue bond, which is held by the Company. Upon expiration of the lease terms, the Company will take title to the property upon redemption of the bond.

(d) Distribution center includes vertically-integrated food processing operations at this location, including the Company's Fresh Kitchen.

The following table lists the Company's retail stores, including the adjacent fuel centers of the related stores, by retail banner, number of stores, location and approximate square footage under each banner as of December 29, 2018.

Retail Segment

Grocery Store Retail Banner	Location(s)	Leased		Owned		Total	
		Number of Stores	Square Feet	Number of Stores	Square Feet	Number of Stores	Square Feet
Family Fare Supermarkets	Michigan, Minnesota, Nebraska, North Dakota, South Dakota, Iowa	76	3,256,655	10	511,424	86	3,768,079
D&W Fresh Market	Michigan	9	440,178	2	84,458	11	524,636
VG's Grocery	Michigan	8	363,117	1	37,223	9	400,340
Family Fresh Market	Minnesota, Nebraska, Wisconsin	1	32,650	5	247,223	6	279,873
Dan's Supermarket	North Dakota	5	264,077	—	—	5	264,077
Econofoods	Minnesota, Wisconsin	1	23,500	1	16,563	2	40,063
Sun Mart Foods	Minnesota, Nebraska	1	31,733	4	93,824	5	125,557
Valu Land	Michigan	5	112,908	—	—	5	112,908
Supermercado Nuestra Familia	Nebraska	1	22,540	2	83,279	3	105,819
No Frills Supermarkets	Iowa, Nebraska	3	61,060	—	—	3	61,060
Forest Hills Foods	Michigan	1	50,791	—	—	1	50,791
Pick 'n Save	Ohio	1	45,608	—	—	1	45,608
Dillonvale IGA	Ohio	1	25,627	—	—	1	25,627
Fresh City Market	Wisconsin	1	21,470	—	—	1	21,470
Total		114	4,751,914	25	1,073,994	139	5,825,908

The Company also owns one fuel center that is not reflected in the retail square footage above: a Family Fare Quick Stop in Michigan that is not included with a corporate owned retail store but is adjacent to the Company's corporate headquarters. Also not reflected in the retail square footage above is one stand-alone pharmacy located in Clear Lake, Iowa. On December 31, 2018, the Company acquired Martin's, which is a chain of 21 stores located in Indiana and Michigan totaling 1.3 million square feet, of which 0.8 million is leased.

The Company's service centers are located in Grand Rapids, Michigan; Minneapolis, Minnesota; Norfolk, Virginia; and Indianapolis, Indiana; consisting of office space of approximately 275,851 square feet in Company-owned buildings and 33,000 square feet in leased facilities. The Company also leases two additional off-site storage facilities consisting of approximately 50,300 square feet. The Company owns and leases to independent retailers seven stores totaling approximately 370,000 square feet and owns and leases to third parties one warehouse of approximately 400,000 square feet and office space totaling 89,000 square feet.

Item 3. Legal Proceedings

From time-to-time, the Company is engaged in routine legal proceedings incidental to its business. The Company does not believe that these routine legal proceedings, taken as a whole, will have a material impact on its business or financial condition. Additionally, various lawsuits and claims, arising in the ordinary course of business, are pending or have been asserted against the Company. While the ultimate effect of such actions, lawsuits and claims cannot be

predicted with certainty, management believes that their outcome will not result in a material adverse effect on the Company's consolidated financial position, operating results or liquidity. Legal proceedings, various lawsuits, claims, and other matters are more fully described in Note 9, Commitments and Contingencies, in the notes to consolidated financial statements, which is herein incorporated by reference.

Item 4. Mine Safety Disclosure

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

SpartanNash common stock is traded on the NASDAQ Global Select Market under the trading symbol "SPTN."

Stock sale prices are based on transactions reported on the NASDAQ Global Select Market. Information on quarterly high and low sales prices for SpartanNash common stock for each of the last two fiscal years is as follows:

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	2018				
	Full	4th	3rd	2nd	1st
	Year	Quarter	Quarter	Quarter	Quarter
	52	(12	(12	(12	(16
	Weeks	Weeks)	Weeks)	Weeks)	Weeks)
Common stock price – High	\$ 27.37	\$ 21.82	\$ 26.18	\$ 26.85	\$ 27.37
Common stock price – Low	16.32	16.32	18.91	17.05	16.55

	2017				
	Full	4th	3rd	2nd	1st
	Year	Quarter	Quarter	Quarter	Quarter
	(52	(12	(12	(12	(16
	Weeks)	Weeks)	Weeks)	Weeks)	Weeks)
Common stock price – High	\$ 40.33	\$ 26.99	\$ 27.74	\$ 37.80	\$ 40.33
Common stock price – Low	19.85	19.85	23.26	25.08	31.54

At February 25, 2019, there were approximately 1,300 shareholders of record of SpartanNash common stock. The Company has paid a quarterly cash dividend every quarter since the fourth quarter of fiscal 2006.

The table below outlines quarterly dividends paid on SpartanNash common stock in each of the last three years:

Effective Quarter	Dividend per common share
1st through 4th quarters of 2016	\$ 0.150
1st through 4th quarters of 2017	0.165
1st through 4th quarters of 2018	0.180

Under its senior revolving credit facility, the Company is generally permitted to pay dividends in any fiscal year up to an amount such that all cash dividends, together with any cash distributions and share repurchases, do not exceed \$35.0 million. Additionally, the Company is generally permitted to pay cash dividends and repurchase shares in excess of \$35.0 million in any fiscal year so long as its Excess Availability, as defined in the senior revolving credit facility, is in excess of 10% of the Total Borrowing Base, as defined in the senior revolving credit facility, before and after giving effect to the repurchases and dividends.

Although the Company expects to continue to pay a quarterly cash dividend, adoption of a dividend policy does not commit the Board of Directors (the “Board”) to declare future dividends. Each future dividend will be considered and declared by the Board at its discretion. Whether the Board continues to declare dividends and repurchase shares depends on a number of factors, including the Company’s future financial condition, anticipated profitability and cash flows, and compliance with the terms of its credit facilities. During the first quarter of 2016, the Board authorized a five-year share repurchase program for \$50 million of SpartanNash’s common stock. During the fourth quarter of 2017, the Board authorized an incremental \$50 million share repurchase program expiring in 2022. As of December 29, 2018, \$45.0 million remains available to be repurchased.

During 2018, 2017 and 2016, the Company repurchased 952,108, 1,367,432, and 396,030 shares of common stock for approximately \$20.0 million, \$35.0 million, and \$9.0 million, respectively. The Company did not repurchase any shares during the fourth quarter of 2018.

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The equity compensation plans table in Part III, Item 12 of this report is herein incorporated by reference.

Performance Graph

Set forth below is a graph comparing the cumulative total shareholder return on SpartanNash common stock to that of the Russell 2000 Total Return Index and the NASDAQ Retail Trade Index, over a period beginning December 28, 2013 and ending on December 29, 2018.

Cumulative total return is measured by the sum of (1) the cumulative amount of dividends for the measurement period, assuming dividend reinvestment, and (2) the difference between the share price at the end and the beginning of the measurement period, divided by the share price at the beginning of the measurement period.

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The dollar values for total shareholder return plotted above are shown in the table below:

	December 28, 2013	January 3, 2015	January 2, 2016	December 31, 2016	December 30, 2017	December 29, 2018
SpartanNash	\$ 100.00	\$ 111.14	\$ 95.12	\$ 177.20	\$ 122.50	\$ 80.38
Russell 2000 Total Return Index	100.00	104.62	100.49	121.91	139.76	123.38
NASDAQ Retail Trade	100.00	111.11	116.16	117.49	124.98	124.47

The information set forth under the Heading “Performance Graph” shall not be deemed to be “soliciting material” or to be “filed” with the Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act, except to the extent that the registrant specifically requests that such information be treated as soliciting material or specifically incorporates it by reference into a filing under the Securities Act or the Exchange Act.

Item 6. Selected Financial Data

The following table provides selected historical consolidated financial information of SpartanNash for each of the five years ended January 3, 2015 through December 29, 2018, all of which were 52-week years with the exception of 2014 which was a 53-week year.

(In thousands, except per share data)	Year Ended				
	2018	2017	2016	2015	2014
Statements of Operations Data:					
Net sales (a)	\$ 8,064,552	\$ 7,963,799	\$ 7,561,084	\$ 7,527,695	\$ 7,805,931
Gross profit	1,110,406	1,144,909	1,111,494	1,115,682	1,156,074
Selling, general and administrative expenses (b)	997,411	1,015,024	963,235	975,833	1,020,000
Merger/acquisition and integration	4,937	8,101	6,959	8,433	12,675
Restructuring, goodwill/asset impairment and other charges (c)	37,546	228,459	32,116	8,802	6,166
Operating earnings (loss)	70,512	(106,675)	109,184	122,614	117,233
Earnings (loss) before income taxes and discontinued operations	40,698	(131,644)	89,963	100,259	90,449
Income tax expense (benefit) (d)	6,907	(79,027)	32,907	37,093	31,329
Earnings (loss) from continuing operations	33,791	(52,617)	57,056	63,166	59,120
Net earnings (loss)	\$ 33,572	\$ (52,845)	\$ 56,828	\$ 62,710	\$ 58,596
Diluted earnings (loss) from continuing operations per share	0.94	(1.41)	1.52	1.67	1.57
Diluted earnings (loss) per share	0.93	(1.41)	1.51	1.66	1.55
Cash dividends declared per share	0.72	0.66	0.60	0.54	0.48
Balance Sheet Data:					
Total assets (e)	\$ 1,971,912	\$ 2,055,797	\$ 1,930,336	\$ 1,917,263	\$ 1,923,455
Property and equipment, net	579,060	600,240	559,722	583,698	597,150
Working capital (f)	524,645	509,705	387,507	396,263	455,694
Long-term debt and capital lease obligations (e)					
(f)	679,797	740,755	413,675	467,793	541,683
Shareholders' equity	715,947	721,950	825,407	790,779	747,253

(a) Due to the adoption of ASU 2014-09, "Revenue from Contracts with Customers – Topic 606" in January 2018, the Company determined that certain contracts in the Food Distribution segment that were historically reported on a gross basis are now required to be reported on a net basis. The adoption of the guidance using the full retrospective method resulted in decreases to net sales and cost of sales previously reported of \$164,283, \$173,516, \$124,278, and \$110,131 for 2017, 2016, 2015, and 2014, respectively.

(b) Due to the adoption of ASU 2017-07, "Compensation – Retirement Benefits" in January 2018, benefit costs other than service cost, are reflected in Other, net, whereas they previously were recognized in Selling, general and administrative expenses. Retrospective application resulted in an increase to Other, net and a decrease in Selling, general and administrative expenses in 2014 of \$2,387 from amounts previously reported. The reclassifications were not material in any of the other periods presented.

(c) In 2018, the Company recorded \$37.5 million of net restructuring, asset impairment and other charges associated with a \$32.0 million non-cash charge related to the expected insolvency of a food distribution customer and other charges related to the Company's retail store rationalization plan. In 2017, the Company recorded a \$189.0 million

goodwill impairment charge related to its Retail segment and \$33.7 million of asset impairment charges primarily associated with long-lived assets in the Retail segment. In 2016, the Company recorded \$32.1 million of restructuring and asset impairment charges primarily related to the closure of four retail stores and two distribution centers, as well as asset impairment charges associated with certain underperforming retail stores.

- (d) In 2017, income taxes were impacted by the revaluation of deferred tax liabilities related to the corporate tax rate reduction enacted in the Tax Cuts and Jobs Act, which also impacted the Company's tax rate in 2018.
- (e) Due to the adoption of ASU 2015-03, "Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs" in 2016, debt issuance costs were reclassified from Other assets, net to Long-term liabilities for all periods presented. This resulted in a decrease in Total assets and Long-term debt and capital lease obligations of \$8,185 and \$8,827 at January 2, 2016 and January 3, 2015, respectively.
- (f) Due to the adoption of ASU 2015-17, "Balance Sheet Classification of Deferred Taxes" in 2015, deferred income taxes were reclassified from Current liabilities to Long-term liabilities for all periods presented. Adoption of this standard resulted in an increase in Working capital of \$22,494 at January 3, 2015.

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Historical data is not necessarily indicative of the Company's future results of operations or financial condition. See discussion of "Risk Factors" in Part I, Item 1A of this report; "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this report; and the consolidated financial statements and notes thereto in Part II, Item 8 of this Annual Report on Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

About SpartanNash

SpartanNash, headquartered in Grand Rapids, Michigan, is a leading multi-regional grocery distributor and grocery retailer whose core businesses include distributing grocery products to a diverse group of independent and chain retailers, its corporate owned retail stores, and military commissaries and exchanges in the United States. The Company operates three reportable business segments: Food Distribution, Military and Retail.

The Company's Food Distribution segment provides a wide variety of nationally branded and private brand grocery products and perishable food products to approximately 2,100 independent retailers, the Company's corporate owned retail stores, food service distributors and various other customers. Through its Food Distribution segment, the Company also services national retailers, including Dollar General. Sales to Dollar General are made to more than 15,500 of its retail locations. Combined with the Military segment, the Company currently services customers in all 50 states. The Company processes fresh-cut fruits and vegetables and other value-added meal solutions and supplies these products to grocery retailers and food service distributors. Through the Fresh Kitchen facility, the Company processes, cooks and packages fresh protein-based foods and complete meal solutions for a number of different customers.

The Company's Military segment contracts with manufacturers to distribute a wide variety of grocery products, including dry groceries, beverages, meat, and frozen foods, primarily to military commissaries and exchanges located in the United States, the District of Columbia, Europe, Cuba, Puerto Rico, Honduras, Bahrain, Djibouti and Egypt. The Company is also the DeCA exclusive worldwide supplier of private brand grocery and related products to U.S. military commissaries. The Company has over 40 years of experience acting as a distributor to U.S. military commissaries and exchanges.

The Company's Retail segment operated 139 corporate owned retail stores in the Midwest region primarily under the banners of Family Fare Supermarkets, D&W Fresh Markets, VG's Grocery, Dan's Supermarket and Family Fresh Market as of December 29, 2018. The Company also offered pharmacy services in 82 of its corporate owned stores (of which 72 pharmacies are owned) and operated 29 fuel centers. The retail stores have a "neighborhood market" strategy that focuses on value beyond price, affordable wellness, and commitment to local products.

The Company's fiscal year end is the Saturday closest to December 31. The following discussion is as of and for the fiscal years ending or ended December 28, 2019 ("2019"), December 29, 2018 ("2018" or "current year"), December 30, 2017 ("2017" or "prior year") and December 31, 2016 ("2016"), all of which include 52 weeks. All fiscal quarters are 12 weeks, except for the Company's first quarter, which is 16 weeks and will generally include the Easter holiday. The fourth quarter includes the Thanksgiving and Christmas holidays, and depending on the fiscal year end, may include the New Year's holiday.

In certain geographic areas, the Company's sales and operating performance may vary with seasonality. Many stores are dependent on tourism, and therefore, are most affected by seasons and weather patterns, including, but not limited to, the amount and timing of snowfall during the winter months and the range of temperature during the summer

months.

Overview of 2018

In 2018, the Company executed against its long-term strategic objective of becoming a growth company that is focused on developing a national, highly efficient distribution platform known for solving unique and complex logistical issues and evolving its primary retail brand to deliver innovative solutions, both of which service a diverse customer base. The Company also began a company-wide initiative late in the fourth quarter to drive sustainable profit improvements.

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The Company's 2018 accomplishments and developments include:

Food Distribution

During 2018, the Company expanded its supply chain capabilities to provide better solutions to its customers more efficiently and in more markets. The Company enhanced its ability to make deliveries to the east coast and added a centralized produce distribution solution to its western region. The addition of the produce distribution solution will result in higher quality products while incurring fewer costs related to transportation and waste. The Company eliminated redundancy in its network, while shifting certain operations closer to its customers in an effort to reduce freight miles and provide faster fulfillment. The Company also invested in its labor force, including drivers and warehousemen, fleet, and IT systems in order to provide for further efficiency and execution within the supply chain going forward.

The Company was recognized in the current year for its innovation in marketing and merchandising. These efforts have led to the launch of various product and marketing campaigns which have supported the sales trends in the traditional distribution business. At the same time, the Company remains committed to collaboration with independent retailers and launched programs to strengthen these partnerships and to support their success in the retail market. These programs included solutions ranging from e-commerce to customer loyalty and retention programs.

The Company realized sales growth in its Food Distribution segment, due to incremental distribution volume from both existing and new customer programs, of 4.3% over the prior year. Sales growth in the fourth quarter of 2018 marked the 12th consecutive quarter of organic sales growth for the segment. The Company remains focused on partnering with independent retailers to support their operations and enhance the consumer experience.

Within the food processing operations, the Company has seen year-over-year progress related to its efforts to improve efficiency and an expansion of its fresh offerings as a result of interest from new types of customers. The Company expects further progress in its profitability as it becomes more experienced at seamlessly onboarding new business opportunities and is able to continue to develop an experienced workforce. The Company also consolidated the produce planning and replenishment processes between food processing and other Food Distribution operations and continues to look for opportunities to drive leverage and synergies through process consolidation and technology.

Military

The Military segment continued to support DeCA in the expansion of its private brand program, which has contributed to overall sales growth in 2018. In connection with the overall arrangement, the Company leveraged its private brand capabilities and expertise to help design and develop both DeCA's proprietary and commissary-specific private brands. As of December 29, 2018, the Company had launched over 700 SKUs of private brand products in the DeCA system. The Company looks forward to continuing its partnership with DeCA and anticipates 1,000 total SKUs will be active within the program by the end of 2019.

The Company was dedicated to their support of military commissaries which were significantly impacted by Hurricane Florence during the third quarter of 2018. The Company responded to urgent requests of DeCA and made additional deliveries of water to these commissaries.

In the third quarter of 2018, the Company secured a significant contract for incremental business with an existing customer through the continued demonstration of superior customer service and execution capabilities. Incremental sales with this customer commenced in the fourth quarter of 2018 which, combined with continued increases in volume from the private brand program, offset the challenges of operating in a commissary environment which continues to experience negative sales trends.

Retail

The Company continued to make strategic Retail segment investments through the execution of five store remodels during 2018. These investments have supported the Company's objectives related to brand repositioning and it

expects that they will help improve customer satisfaction and contribute to the achievement of sequential growth in fiscal 2019 comparable store sales. The Company also continued its store rationalization program, and in connection with overall business strategies, closed six retail stores in connection with lease expirations and store rationalization plans during the year.

The Company expanded Fast Lane, its e-commerce solution, which offers online ordering and curbside pick-up service at approximately 65 retail stores, and same day delivery in several geographies as of December 29, 2018. The Company believes Fast Lane is essential to increasing customer satisfaction through quality service and convenience. Additional enhancements were made to Fast Lane in the current year which integrate “yes”™ digital coupons into the shopping experience and provide customers with additional savings and rewards. In the second quarter of 2018, the Company also began partnerships with Instacart in several regions to offer customers additional online shopping options. Lastly, in the fourth quarter of 2018, the Company developed and piloted a new mobile application which allows customers to scan and bag their groceries as they shop helping them to save time and money.

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Other

During 2018, the Company returned \$45.9 million to shareholders from share repurchases and dividend payments. The Company also improved working capital compared to the prior year. Net cash provided by operating activities was \$171.7 million in 2018 compared to \$52.8 million in 2017. Net cash used by investing activities was \$64.2 million in 2018 compared to \$315.4 million in 2017. Net long-term debt decreased \$54.8 million compared to the prior year as the Company continues to work towards paying down debt.

In the fourth quarter of 2018, the Company partnered with a third-party advisory firm to commence a company-wide initiative, Project One Team, designed to transform its culture and empower associates at all levels to drive substantial ongoing, sustainable improvements to business processes and results. Project One Team is designed to align with the Company's strategic objectives and is intended to position the Company to identify opportunities for growth and efficiency with benefits in the next one to two years.

- During 2018, the Company remained committed to undertaking business development initiatives within both core and adjacent spaces to further its strategic objectives. In line with this strategy, the Company acquired Martin's Super Markets ("Martin's") in early 2019. Martin's is a leading Midwest independent supermarket chain which operates 21 stores in the northern Indiana and southwestern Michigan markets.

The accomplishments above helped position the Company for future earnings growth, but the competitive landscape and industry trends also present challenges to the Company and potential changes in trends that could impact 2019. For fiscal 2019, the Company anticipates year-over-year sales growth to continue in the Food Distribution segment driven primarily by incremental sales to existing customers and new food processing customers. Incremental business with an existing customer and contributions from the ongoing expansion of the DeCA private brand program should continue to drive sales growth in the Military segment. The Company expects sequential improvement in its Retail stores' comparable sales trend, benefiting from current year and future store remodels and the Company's brand repositioning. The Company plans to mitigate these challenges by sustaining sales growth in the Food Distribution segment, aggressively pursuing new business made available by disruption in the industry and driving adjusted operating earnings and adjusted EBITDA growth over the prior year. Additionally, the Company plans to strengthen its management team and improve supply chain capabilities, from identifying and capitalizing on freight efficiencies, to managing through tight labor markets in certain geographies, while increasing the acceptance of private brand products. The Company also plans to deliver value through the execution on Project One Team. The Company will reduce its debt levels and financial leverage ratios to facilitate achieving our strategic objectives. The Company continues to take actions that it believes will enhance the convenience and value that it provides its customers and continues to see positive results from these investments.

Results of Operations

Certain prior year amounts have been adjusted to reflect recently adopted accounting standards.

The following table sets forth items from the Company's consolidated statements of operations as a percentage of net sales and the percentage change from the preceding year:

	Percentage of Net Sales			Percentage Change	
	2018	2017	2016	2018	2017
Net sales	100.0	100.0	100.0	1.3	5.3
Gross profit	13.8	14.4	14.7	(3.0)	3.0
Selling, general and administrative	12.4	12.7	12.7	(1.7)	5.4

expenses

Merger/acquisition and integration	0.1
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