

PUBLIX SUPER MARKETS INC
Form 10-Q
May 09, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 30, 2013
Commission File Number 0-00981

PUBLIX SUPER MARKETS, INC.
(Exact name of Registrant as specified in its charter)

Florida 59-0324412
(State of incorporation) (I.R.S. Employer Identification No.)

3300 Publix Corporate Parkway 33811
Lakeland, Florida
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (863) 688-1188

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 and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months.

Yes No

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

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of the Registrant's common stock outstanding as of April 19, 2013 was 784,800,000.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PUBLIX SUPER MARKETS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts are in thousands, except par value)

	March 30, 2013	December 29, 2012
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 640,262	337,400
Short-term investments	892,094	797,260
Trade receivables	622,868	519,137
Merchandise inventories	1,344,289	1,409,367
Deferred tax assets	64,076	57,834
Prepaid expenses	32,745	28,124
Total current assets	3,596,334	3,149,122
Long-term investments	4,732,562	4,235,846
Other noncurrent assets	205,127	202,636
Property, plant and equipment	8,017,353	8,979,469
Accumulated depreciation	(3,323,523)	(4,288,753)
Net property, plant and equipment	4,693,830	4,690,716
	\$ 13,227,853	12,278,320
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 1,420,029	1,306,996
Accrued expenses:		
Contribution to retirement plans	222,707	430,395
Self-insurance reserves	140,591	138,998
Salaries and wages	162,741	109,091
Dividends payable	274,621	—
Other	266,099	230,486
Current portion of long-term debt	19,110	5,018
Federal and state income taxes	224,078	—
Total current liabilities	2,729,976	2,220,984
Deferred tax liabilities	348,736	327,294
Self-insurance reserves	212,785	212,728
Accrued postretirement benefit cost	116,398	116,721
Long-term debt	138,483	153,454
Other noncurrent liabilities	117,900	118,321
Total liabilities	3,664,278	3,149,502
Common stock related to Employee Stock Ownership Plan (ESOP)	2,536,531	2,272,963
Stockholders' equity:		
Common stock of \$1 par value. Authorized 1,000,000 shares; issued 786,507 shares in 2013 and 776,094 shares in 2012	786,507	776,094
Additional paid-in capital	1,860,864	1,627,258
Retained earnings	6,837,170	6,640,538
Treasury stock at cost, 1,661 shares in 2013	(38,529)	—
Accumulated other comprehensive earnings	71,158	38,289
Common stock related to ESOP	(2,536,531)	(2,272,963)

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Total stockholders' equity	6,980,639	6,809,216
Noncontrolling interests	46,405	46,639
Total equity	9,563,575	9,128,818
	\$13,227,853	12,278,320

See accompanying notes to condensed consolidated financial statements.

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PUBLIX SUPER MARKETS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
 (Amounts are in thousands, except per share amounts)

	Three Months Ended	
	March 30, 2013	March 31, 2012
	(Unaudited)	
Revenues:		
Sales	\$7,503,384	7,070,446
Other operating income	55,670	55,650
Total revenues	7,559,054	7,126,096
Costs and expenses:		
Cost of merchandise sold	5,379,578	5,109,277
Operating and administrative expenses	1,494,785	1,417,470
Total costs and expenses	6,874,363	6,526,747
Operating profit	684,691	599,349
Investment income, net	21,744	18,339
Other income, net	4,096	6,289
Earnings before income tax expense	710,531	623,977
Income tax expense	239,278	214,566
Net earnings	\$471,253	409,411
Weighted average shares outstanding	778,110	782,080
Basic and diluted earnings per share	\$0.61	0.52
Dividends declared per common share	\$0.35	0.59

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
 (Amounts are in thousands)

	Three Months Ended	
	March 30, 2013	March 31, 2012
	(Unaudited)	
Net earnings	\$471,253	409,411
Other comprehensive earnings:		
Unrealized gain on available-for-sale (AFS) securities, net of tax effect of \$21,218 and \$13,077 in 2013 and 2012, respectively	33,695	20,766
Reclassification adjustment for net realized gain on AFS securities, net of tax effect of (\$1,027) and (\$92) in 2013 and 2012, respectively	(1,632)	(146)
Adjustment to postretirement benefit plan obligation, net of tax effect of \$508 and \$301 in 2013 and 2012, respectively	806	478
Comprehensive earnings	\$504,122	430,509

See accompanying notes to condensed consolidated financial statements.

PUBLIX SUPER MARKETS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Amounts are in thousands)

	Three Months Ended	
	March 30, 2013	March 31, 2012
	(Unaudited)	
Cash flows from operating activities:		
Cash received from customers	\$7,419,770	7,077,420
Cash paid to employees and suppliers	(6,333,856)	(6,069,152)
Income taxes paid	(19,094)	(35,161)
Self-insured claims paid	(81,521)	(60,360)
Dividends and interest received	42,532	37,519
Other operating cash receipts	53,744	53,751
Other operating cash payments	(3,265)	(2,433)
Net cash provided by operating activities	1,078,310	1,001,584
Cash flows from investing activities:		
Payment for capital expenditures	(120,647)	(133,040)
Proceeds from sale of property, plant and equipment	1,170	1,437
Payment for investments	(780,168)	(681,110)
Proceeds from sale and maturity of investments	220,665	155,858
Net cash used in investing activities	(678,980)	(656,855)
Cash flows from financing activities:		
Payment for acquisition of common stock	(172,701)	(141,860)
Proceeds from sale of common stock	77,346	48,479
Repayment of long-term debt	(879)	(668)
Other, net	(234)	390
Net cash used in financing activities	(96,468)	(93,659)
Net increase in cash and cash equivalents	302,862	251,070
Cash and cash equivalents at beginning of period	337,400	366,853
Cash and cash equivalents at end of period	\$640,262	617,923

See accompanying notes to the condensed consolidated financial statements. (Continued)

PUBLIX SUPER MARKETS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
 (Amounts are in thousands)

	Three Months Ended	
	March 30, 2013	March 31, 2012
	(Unaudited)	
Reconciliation of net earnings to net cash provided by operating activities:		
Net earnings	\$471,253	409,411
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	124,948	121,865
Increase in LIFO reserve	10,663	14,650
Retirement contributions paid or payable in common stock	93,258	80,439
Deferred income taxes	(5,499)	(13,629)
Loss on disposal and impairment of property, plant and equipment	2,088	5,022
Gain on AFS securities	(2,659)	(238)
Net amortization of investments	31,338	25,312
Changes in operating assets and liabilities providing (requiring) cash:		
Trade receivables	(101,205)	(9,982)
Merchandise inventories	54,415	(28,412)
Prepaid expenses and other noncurrent assets	(8,254)	(21,407)
Accounts payable and accrued expenses	179,738	214,512
Self-insurance reserves	1,650	7,203
Federal and state income taxes	226,006	193,158
Other noncurrent liabilities	570	3,680
Total adjustments	607,057	592,173
Net cash provided by operating activities	\$1,078,310	1,001,584

See accompanying notes to condensed consolidated financial statements.

PUBLIX SUPER MARKETS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1)Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Publix Super Markets, Inc. and subsidiaries (the Company) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and the rules and regulations of the Securities and Exchange Commission (SEC) for interim financial reporting. Accordingly, the accompanying statements do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, these statements include all adjustments that are of a normal and recurring nature necessary to present fairly the Company's financial position, results of operations and cash flows. Due to the seasonal nature of the Company's business, the results of operations for the three months ended March 30, 2013 are not necessarily indicative of the results for the entire 2013 fiscal year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 29, 2012. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2)Recently Adopted Accounting Standard

In February 2013, the Financial Accounting Standards Board issued an Accounting Standards Update that requires expanded disclosures related to accumulated other comprehensive earnings. The amended guidance requires entities to provide information about the amounts reclassified out of accumulated other comprehensive earnings by component. Additionally, entities are required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of accumulated other comprehensive earnings by the respective line items of net earnings. The amended guidance does not change the current requirements for reporting net earnings or other comprehensive earnings. The amendments are effective prospectively for reporting periods beginning after December 15, 2012. The adoption of this amendment during the quarter ended March 30, 2013 did not have an effect on the Company's financial condition, results of operations or cash flows.

(3)Fair Value of Financial Instruments

The fair value of certain of the Company's financial instruments, including cash and cash equivalents, trade receivables and accounts payable, approximates their respective carrying amounts due to their short-term maturity.

The fair value of available-for-sale (AFS) securities is based on market prices using the following measurement categories:

Level 1 – Fair value is determined by using quoted prices in active markets for identical investments. AFS securities that are included in this category are primarily a mutual fund and equity securities.

Level 2 – Fair value is determined by using other than quoted prices. By using observable inputs (for example, benchmark yields, interest rates, reported trades and broker dealer quotes), the fair value is determined through processes such as benchmark curves, benchmarking of like securities and matrix pricing of corporate and municipal bonds by using pricing of similar bonds based on coupons, ratings and maturities. In addition, the value of collateralized mortgage obligation securities is determined by using models to develop prepayment and interest rate scenarios for these securities which have prepayment features. AFS securities that are included in this category are primarily debt securities (tax exempt and taxable bonds).

Level 3 – Fair value is determined by using other than observable inputs. Fair value is determined by using the best information available in the circumstances and requires significant management judgment or estimation. No AFS securities are currently included in this category.

Following is a summary of fair value measurements for AFS securities as of March 30, 2013 and December 29, 2012:

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	Fair Value	Level 1	Level 2	Level 3
	(Amounts are in thousands)			
March 30, 2013	\$5,624,656	824,182	4,800,474	—
December 29, 2012	5,033,106	713,741	4,319,365	—

PUBLIX SUPER MARKETS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(4) Investments

All of the Company's debt and equity securities are classified as AFS and are carried at fair value. The Company evaluates whether AFS securities are other-than-temporarily impaired (OTTI) based on criteria that include the extent to which cost exceeds market value, the duration of the market value decline, the credit rating of the issuer or security, the failure of the issuer to make scheduled principal or interest payments and the financial health and prospects of the issuer or security.

Declines in the value of AFS securities determined to be OTTI are recognized in earnings and reported as OTTI losses. Debt securities with unrealized losses are considered OTTI if the Company intends to sell the debt security or if the Company will be required to sell the debt security prior to any anticipated recovery. If the Company determines that a debt security is OTTI under these circumstances, the impairment recognized in earnings is measured as the difference between the amortized cost and the current fair value. A debt security is also determined to be OTTI if the Company does not expect to recover the amortized cost of the debt security. However, in this circumstance, if the Company does not intend to sell the debt security and will not be required to sell the debt security, the impairment recognized in earnings equals the estimated credit loss as measured by the difference between the present value of expected cash flows and the amortized cost of the debt security. Expected cash flows are discounted using the debt security's effective interest rate. An equity security is determined to be OTTI if the Company does not expect to recover the cost of the equity security. Declines in the value of AFS securities determined to be temporary are reported, net of tax, as other comprehensive losses and included as a component of stockholders' equity.

Interest and dividend income, amortization of premiums, accretion of discounts and realized gains and losses on AFS securities are included in investment income. Interest income is accrued as earned. Dividend income is recognized as income on the ex-dividend date of the stock. The cost of AFS securities sold is based on the first-in, first-out method. Following is a summary of AFS securities as of March 30, 2013 and December 29, 2012:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(Amounts are in thousands)				
March 30, 2013				
Tax exempt bonds	\$3,361,235	35,608	2,328	3,394,515
Taxable bonds	1,373,007	15,628	561	1,388,074
Restricted investments	170,000	604	—	170,604
Equity securities	573,144	105,423	7,104	671,463
	\$5,477,386	157,263	9,993	5,624,656
December 29, 2012				
Tax exempt bonds	\$3,115,963	33,787	2,646	3,147,104
Taxable bonds	1,141,514	17,667	355	1,158,826
Restricted investments	170,000	431	—	170,431
Equity securities	510,613	58,631	12,499	556,745
	\$4,938,090	110,516	15,500	5,033,106

Realized gains on sales of AFS securities totaled \$6,862,000 for the three months ended March 30, 2013. Realized losses on sales of AFS securities totaled \$4,203,000 for the three months ended March 30, 2013. There were no OTTI losses on AFS securities for the three months ended March 30, 2013.

Realized gains on sales of AFS securities totaled \$2,549,000 for the three months ended March 31, 2012. Realized losses on sales of AFS securities totaled \$2,311,000 for the three months ended March 31, 2012. There were no OTTI losses on AFS securities for the three months ended March 31, 2012.

PUBLIX SUPER MARKETS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The amortized cost and fair value of AFS securities by expected maturity as of March 30, 2013 and December 29, 2012 are as follows:

	March 30, 2013		December 29, 2012	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Amounts are in thousands)			
Due in one year or less	\$887,725	892,094	792,946	797,260
Due after one year through five years	3,159,145	3,191,548	2,725,036	2,755,043
Due after five years through ten years	474,711	479,469	520,800	526,924
Due after ten years	212,661	219,478	218,695	226,703
	4,734,242	4,782,589	4,257,477	4,305,930
Restricted investments	170,000	170,604	170,000	170,431
Equity securities	573,144	671,463	510,613	