PUBLIX SUPER MARKETS INC
Form 10-Q
May 11, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended April 1, 2006

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 0-00981

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

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

3300 Publix Corporate Parkway Lakeland, Florida	33811
(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 (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

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

Large accelerated filer X Accelerated filer ___ Non-accelerated filer ___

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

Yes ___ No X

The number of shares outstanding of the Registrant's common stock, $1.00 par value, as of April 28, 2006 was 171,624,840.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PUBLIX SUPER MARKETS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts are in thousands, except par value and share amounts)

ASSETS

	April 1, 2006 (Unaudited)	December 31, 2005
Current assets:		
Cash and cash equivalents	$ 513,489	335,969
Short-term investments	102,124	119,303
Trade receivables	327,824	354,950
Merchandise inventories	1,049,611	1,109,543
Deferred tax assets	80,618	85,475
Prepaid expenses	46,871	42,521
Total current assets	2,120,537	2,047,761
Long-term investments	1,836,051	1,573,795
Other noncurrent assets	57,605	57,786
Property, plant and equipment	5,647,623	5,575,612
Less accumulated depreciation	(2,608,785)	(2,527,731)
Net property, plant and equipment	3,038,838	3,047,881
Total assets	$ 7,053,031	6,727,223

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$ 904,190	913,521
Accrued contribution to retirement plans	170,461	349,805

Accrued self-insurance reserves	119,980	119,339
Accrued salaries and wages	117,095	98,629
Federal and state income taxes	200,406	148,352
Other	359,081	181,627
Total current liabilities	1,871,213	1,811,273
Deferred tax liabilities	260,581	283,979
Self-insurance reserves	243,012	242,449
Accrued postretirement benefit cost	67,843	68,088
Other noncurrent liabilities	120,063	115,660
Stockholders' equity:		
Common stock of $1 par value. Authorized 300,000,000 shares; issued 172,153,303 shares at April 1, 2006 and 169,388,472 shares at December 31, 2005	172,153	169,388
Additional paid-in capital	1,040,990	818,226
Retained earnings	3,348,923	3,231,816
	4,562,066	4,219,430
Less 654,292 treasury shares at April 1, 2006, at cost	(52,671)	---
Accumulated other comprehensive losses	(19,076)	(13,656)
Total stockholders' equity	4,490,319	4,205,774
Total liabilities and stockholders' equity	$ 7,053,031	6,727,223

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

	Three Months Ended	
	April 1, 2006	March 26, 2005
	(Unaudited)	
Revenues:		
Sales	$ 5,510,290	5,142,311
Other operating income	40,788	38,162
Total revenues	5,551,078	5,180,473
Costs and expenses:		
Cost of merchandise sold	4,010,907	3,744,622
Operating and administrative expenses	1,122,654	1,047,844
Total costs and expenses	5,133,561	4,792,466

Operating profit	417,517	388,007
Investment income, net	26,422	16,117
Other income, net	5,573	6,353
Earnings before income tax expense	449,512	410,477
Income tax expense	161,105	151,371
Net earnings	$ 288,407	259,106
Weighted average number of common shares outstanding	169,934,753	173,145,420
Basic and diluted earnings per common share based on weighted average shares outstanding	$ 1.70	1.50
Cash dividends declared per common share	$ 1.00	.70

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

	Three Months Ended	
	April 1, 2006	March 26, 2005
	(Unaudited)	
Net earnings	$ 288,407	259,106
Other comprehensive losses:		
Unrealized loss on investment securities available-for-sale, net of tax effect of ($3,258) and ($6,025) in 2006 and 2005, respectively	(5,187)	(9,593)
Reclassification adjustment for net realized gain on investment securities available-for-sale, net of tax effect of ($146) and ($1,320) in 2006 and 2005, respectively	(233)	(2,103)
Comprehensive earnings	$ 282,987	247,410

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

	Three Months Ended	
	April 1, 2006	March 26, 2005
	(Unaudited)	
Cash flows from operating activities:		
Cash received from customers	$ 5,546,254	5,144,262
Cash paid to employees and suppliers	(4,827,739)	(4,430,392)
Income taxes paid	(124,188)	(208,719)
Payment for self-insured claims	(44,520)	(41,368)
Dividends and interest received	25,974	14,325
Other operating cash receipts	37,627	34,922
Other operating cash payments	(917)	(757)
Net cash provided by operating activities	612,491	512,273
Cash flows from investing activities:		
Payment for property, plant and equipment	(96,556)	(69,698)
Proceeds from sale of property, plant and equipment	7,921	6,624
Proceeds from sale-leasebacks	6,247	---
Payment for investment securities - available-for-sale (AFS)	(340,812)	(214,016)
Proceeds from sale and maturity of investment securities - AFS	84,931	68,888
Net proceeds from (payments to) joint ventures and other investments	572	(160)
Other, net	5,141	(3,875)
Net cash used in investing activities	(332,556)	(212,237)
Cash flows from financing activities:		
Payment for acquisition of common stock	(163,141)	(104,588)
Proceeds from sale of common stock	60,857	32,687
Other	(131)	(131)
Net cash used in financing activities	(102,415)	(72,032)
Net increase in cash and cash equivalents	177,520	228,004
Cash and cash equivalents at beginning of period	335,969	370,288
Cash and cash equivalents at end of period	$ 513,489	598,292

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

	Three Months Ended	
	April 1, 2006	March 26, 2005
	(Unaudited)	
Reconciliation of net earnings to net cash provided by operating activities		
Net earnings	$ 288,407	259,106
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	95,657	92,600
Retirement contributions paid or payable in common stock	83,933	76,951
Deferred income taxes	(15,137)	(19,313)
(Gain) loss on sale of property, plant and equipment	3,293	(262)
Amortization of deferred income from sale-leasebacks	(2,034)	(457)
Gain on sale of investments	(380)	(3,423)
Self-insurance reserves in excess of current payments	1,204	11,286
Postretirement accruals less than current payments	(245)	(88)
Decrease in advance purchase allowances	(538)	(533)
Other, net	(2,976)	(1,167)
Change in cash from:		
Trade receivables	27,126	(7,890)
Merchandise inventories	59,932	93,071
Prepaid expenses	(4,350)	(2,404)
Accounts payable and accrued expenses	26,545	52,831
Federal and state income taxes	52,054	(38,035)
Total adjustments	324,084	253,167
Net cash provided by operating activities	$ 612,491	512,273

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

1. The accompanying condensed consolidated financial statements included herein are unaudited; however, in the opinion of management, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are necessary for the fair statement of results for the interim period. These condensed consolidated financial statements should be read in conjunction with the fiscal 2005 Form 10-K Annual Report of the Company.

2. Due to the seasonal nature of the Company's business, the results for the three months ended April 1, 2006 are not necessarily indicative of the results for the entire 2006 fiscal year.

3. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

4. In November 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 151, "Inventory Costs," (SFAS 151) effective for fiscal years beginning after June 15, 2005. SFAS 151 amends Accounting Research Bulletin No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material. SFAS 151 requires that those items be recognized as current period charges and requires that allocation of fixed production overhead to the cost of conversion be based on the normal capacity of the production facilities. The adoption of SFAS 151 did not have a material effect on the Company's financial condition, results of operations or cash flows.

5. In December 2004, the FASB issued a revision to Statement of Financial Accounting Standard No. 123, "Share-Based Payment," (SFAS 123(R)) effective for fiscal years beginning after June 15, 2005. SFAS 123(R) requires all stock-based compensation awards to be recorded at fair value as an expense in the Company's consolidated financial statements. The adoption of SFAS 123(R) had no effect on the Company's financial condition, results of operations or cash flows.

6. In May 2005, the FASB issued Statement of Financial Accounting Standard No. 154, "Accounting Changes and Error Corrections," (SFAS 154) effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. SFAS 154 replaces APB Opinion 20 and SFAS 3. Among other changes, SFAS 154 requires retrospective application to prior periods' financial statements for changes in accounting

principle, unless it is impractical to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 also requires that a change in depreciation, amortization, or depletion method for long-lived non-financial assets be accounted for as a change in accounting estimate effected by a change in accounting principle. The adoption of SFAS 154 will only affect the Company's financial condition or results of operations if it has such changes or corrections of errors in the future.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company is primarily engaged in the retail food industry, operating stores in Florida, Georgia, South Carolina, Alabama and Tennessee. As of April 1, 2006, the Company operated 875 supermarkets, five convenience stores and seven liquor stores. In addition, the Company has a majority position in the Crispers restaurant chain. As of April 1, 2006, Crispers operated 34 restaurants, all located in Florida.

Liquidity and Capital Resources

Cash and cash equivalents and short-term and long-term investments totaled approximately $2,451.7 million as of April 1, 2006, compared to $2,029.1 million as of December 31, 2005.

Net cash provided by operating activities

Net cash provided by operating activities was approximately $612.5 million for the three months ended April 1, 2006, as compared with $512.3 million for the three months ended March 26, 2005. As a result of hurricane Wilma that occurred during the fourth quarter of 2005, the Company received an extension on its Federal income tax payment due December 15, 2005 until February 28, 2006. The delay in this tax payment decreased net cash provided by operating activities by $95.0 million during the three months ended April 1, 2006. During 2004, the Company experienced an unprecedented four major hurricanes in six weeks. As a result, the Company received an extension on its Federal income tax payments due September 15, 2004 and December 15, 2004 until December 30, 2004. The delay in these tax payments decreased net cash provided by operating activities by $190.0 million during the three months ended March 26, 2005. Any net cash in excess of the amount needed for current operations is invested in short-term and long-term investments.

Net cash used in investing activities

Net cash used in investing activities was approximately $332.6 million for the three months ended April 1, 2006, as compared with $212.2 million for the three months ended March 26, 2005. The primary use of net cash in investing activities was funding capital expenditures and purchasing investments. During the three months ended April 1, 2006, capital expenditures totaled approximately $96.6 million. These expenditures were incurred in connection with the opening of two new supermarkets (two supermarkets also closed) and remodeling seven supermarkets. Expenditures were also incurred in the expansion of warehouses and new or enhanced information technology applications. During the three months ended March 26, 2005, capital expenditures totaled approximately $69.7 million. These expenditures were primarily incurred in connection with the opening of one net new supermarket (seven new supermarkets opened and six supermarkets closed) and remodeling 11 supermarkets. Significant expenditures were also incurred in the expansion of warehouses and new or enhanced information technology applications.

Capital expenditure projection

Capital expenditures for the remainder of 2006, primarily consisting of new supermarkets, remodeling and expanding certain existing supermarkets, expansion of warehouses, installation of generators at hurricane prone locations, and new or enhanced information technology applications, are expected to be approximately $378.4 million. This capital program is subject to continuing change and review. In the normal course of operations, the Company replaces supermarkets and closes supermarkets that are not meeting performance expectations. The impact of future supermarket closings is not expected to be material.

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Net cash used in financing activities

Net cash used in financing activities was approximately $102.4 million for the three months ended April 1, 2006, as compared with $72.0 million for the three months ended March 26, 2005. The primary use of net cash in financing activities was funding net common stock repurchases. The Company currently repurchases common stock at the stockholders' request in accordance with the terms of the Company's Employee Stock Purchase Plan, 401(k) Plan, Employee Stock Ownership Plan and Non-Employee Directors Stock Purchase Plan. Net common stock repurchases totaled approximately $102.3 million for the three months ended April 1, 2006, as compared with $71.9 million for the three months ended March 26, 2005. The amount of common stock offered to the Company for repurchase is not within the control of the Company, but is at the discretion of the stockholders. The Company expects to continue to repurchase its common stock, as offered by its stockholders from time to time, at its then currently appraised value for amounts similar to those in prior years. However, such purchases are not required and the Company retains the right to discontinue them at any time.

Dividends

On March 15, 2006, the Company declared an annual cash dividend on its common stock of $1.00 per share or approximately $171.3 million, payable on June 1, 2006, to stockholders of record as of the close of business April 21, 2006. In 2005, the Company paid an annual cash dividend on its common stock of $121.9 million or $.70 per share.

Cash requirements

In 2006, the cash requirements for current operations, capital expenditures and common stock repurchases are expected to be financed by internally generated funds or liquid assets. Based on the Company's financial position, it is expected that short-term and long-term borrowings would be readily available to support the Company's liquidity requirements if needed.

Results of Operations

Sales

Sales for the three months ended April 1, 2006, were $5.5 billion as compared with $5.1 billion for the three months ended March 26, 2005, an increase of $368.0 million or a 7.2% increase. The Company estimates that its sales increased approximately $113.4 million or 2.2% from net new supermarkets and approximately $254.6 million or 5.0% in comparable store sales (supermarkets open for the same weeks in both periods, including replacement supermarkets) since the beginning of the first quarter of 2005. Additionally, sales for the first quarter of 2006 excluded approximately $62.0 million of sales or 1.2% due to the later Easter holiday which was in the second quarter of 2006.

Gross profit

Gross profit as a percentage of sales was approximately 27.2% for the three months ended April 1, 2006 and March 26, 2005.

Operating and administrative expenses

Operating and administrative expenses as a percentage of sales were approximately 20.4% for the three months ended April 1, 2006 and March 26, 2005. Payroll and worker's compensation costs decreased as a percentage of sales while other operating expenses increased as a percentage of sales during the three months ended April 1, 2006.

Investment income, net

Investment income, net was approximately $26.4 million and $16.1 million for the three months ended April 1, 2006 and March 26, 2005, respectively. The increase in investment income, net was primarily due to higher investment balances, as well as higher interest rates during the three months ended April 1, 2006.

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Income taxes

The effective income tax rates were approximately 35.8% and 36.9% for the three months ended April 1, 2006 and March 26, 2005, respectively. The effective income tax rates differ from the expected U.S. Federal statutory rate of 35.0% in both periods due to the impact of state income taxes, partially offset by the Federal benefit of state income taxes, tax exempt interest and dividends paid to ESOP participants.

Net earnings

Net earnings were $288.4 million or $1.70 per share and $259.1 million or $1.50 per share for the three months ended April 1, 2006 and March 26, 2005, respectively.

Forward-Looking Statements

From time to time, certain information provided by the Company, including written or oral statements made by its representatives, may contain forward-looking information as defined in Section 21E of the Securities Exchange Act of 1934. Forward-looking information includes statements about the future performance of the Company, which is based on management's assumptions and beliefs in light of the information currently available to them. When used, the words "plan," "estimate," "project," "intend," "believe" and other similar expressions, as they relate to the Company, are intended to identify such forward-looking statements. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from those statements including, but not limited to: competitive practices and pricing in the food and drug industries generally and particularly in the Company's principal markets; results of programs to control or reduce costs, improve buying practices and control shrink; results of programs to increase sales, including private-label sales, improve perishable departments and improve pricing and promotional efforts; changes in the general economy; changes in consumer spending; changes in population, employment and job growth in the Company's principal markets; and other factors affecting the Company's business in or beyond the Company's control. These factors include changes in the rate of inflation, changes in state and Federal legislation or regulation, adverse determinations with respect to litigation or other claims, ability to recruit and retain employees, increases in operating costs including, but not limited to, labor costs, credit card fees and utility costs, particularly electric utility costs, ability to construct new supermarkets or complete remodels as rapidly as planned and stability of product costs. Other factors and assumptions not identified above could also cause the actual results to differ materially from those set forth in the forward-looking statements. The Company assumes no obligation to update publicly these forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company does not utilize financial instruments for trading or other speculative purposes, nor does it utilize leveraged financial instruments. The Company does not consider to be material the potential losses in future earnings, fair values and cash flows from reasonably possible near-term changes in interest rates.

Item 4. Controls and Procedures

As of the end of the period covered by this quarterly report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic Securities and Exchange Commission filings. There have been no changes in the Company's internal control over financial reporting during the quarter ended April 1, 2006, that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

PUBLIX SUPER MARKETS, INC.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As reported in the Company's Form 10-K for the year ended December 31, 2005, the Company is a party in various legal claims and actions considered in the normal course of business. In the opinion of management, the ultimate resolution of these legal proceedings will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Shares of common stock repurchased by the Company during the three months ended April 1, 2006 were as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(1)
January 1, 2006 through February 4, 2006	869,369	$77.25	N/A	N/A
February 5, 2006 through March 4, 2006	487,756	78.69	N/A	N/A
March 5, 2006 through April 1, 2006	715,536	80.50	N/A	N/A
Total	2,072,661	$78.73	N/A	N/A

(1) Common stock is made available for sale only to the Company's current employees through the Company's Employee Stock Purchase Plan (ESPP) and 401(k) Plan. In addition, common stock is made available under the Employee Stock Ownership Plan (ESOP). Common stock is also made available for sale to members of the Company's Board of Directors through the Non-Employee Directors Stock Purchase Plan (Directors Plan). The Company currently repurchases common stock subject to certain terms and conditions. The ESPP, 401(k) Plan, ESOP and Directors Plan each contain provisions prohibiting any transfer for value without the owner first offering the common stock to the Company.

The Company's common stock is not traded on any public stock exchange. The amount of common stock offered to the Company for repurchase is not within the control of the Company, but is at the discretion of the stockholders. The Company does not believe that these repurchases of its common stock are within the scope of a publicly announced plan or program (although the terms of the plans discussed above have been communicated to the participants). Thus, the Company does not believe that it has made any repurchases during the three months ended April 1, 2006 required to be disclosed in the last two columns of the table.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders (Annual Meeting) of the Company was held on April 18, 2006, for the purpose of electing a board of directors and to approve an amendment to the Restated Articles of Incorporation. Proxies for the meeting were solicited pursuant to Section 14(a) of the Securities Exchange Act of 1934 and there were no solicitations in opposition to management's solicitation. All nominees for director listed below were elected. The term of office of the directors will be until the next annual meeting or until their successors shall be elected and qualified.

	Votes For	Votes Withheld
Carol Jenkins Barnett	124,745,336	520,563
Hoyt R. Barnett	124,748,582	517,317
Joan G. Buccino	124,504,375	761,524
William E. Crenshaw	124,772,305	493,594
Sherrill W. Hudson	124,516,741	749,158
Charles H. Jenkins, Jr.	124,791,972	473,927
Howard M. Jenkins	124,768,245	497,654
E. Vane McClurg	124,324,208	941,691
Kelly E. Norton	124,513,985	751,914
Maria A. Sastre	124,440,915	824,984

Also at the Annual Meeting, the stockholders approved an amendment to the Company's Restated Articles of Incorporation to increase the authorized number of shares of the Company's common stock from 300,000,000 to 1,000,000,000 to allow for a 5-for-1 stock split effective July 1, 2006. The amendment was approved by a vote of 125,103,135 in favor, 87,117 against and 75,647 withheld.

Item 5. Other Information

Not Applicable.

Item 6. Exhibits

3.1 Composite of the Restated Articles of Incorporation of the Company dated June 25, 1979 as amended by (i) Articles of Amendment dated February 22, 1984, (ii) Articles of Amendment dated June 24, 1992, (iii) Articles of Amendment dated June 4, 1993, and (iv) Articles of Amendment dated April 18, 2006.

3.2 Articles of Amendment of the Restated Articles of Incorporation of the Company dated April 18, 2006.

31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

PUBLIX SUPER MARKETS, INC.

Date: May 11, 2006 /s/ John A. Attaway, Jr.

John A. Attaway, Jr., Secretary

Date: May 11, 2006 /s/ David P. Phillips

David P. Phillips, Chief Financial Officer

and Treasurer (Principal Financial and
Accounting Officer)