

Fresh Market, Inc.
Form 10-Q
December 01, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 25, 2015

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

For the transition period from _____ to _____

Commission File Number: 1-34940

THE FRESH MARKET, INC.

(Exact name of registrant as specified in its charter)

Delaware	56-1311233
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
628 Green Valley Road, Suite 500	27408
Greensboro, NC	(Zip Code)
(Address of principal executive offices)	

(336) 272-1338

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.). Yes No

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The number of shares of the registrant's common stock, \$0.01 par value, outstanding as of November 18, 2015 was 46,991,746 shares.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements in addition to historical information. We use words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “intend,” “looking forward,” “may,” “plan,” “project,” “should,” “target,” “will” and “would” or any variations of these words or other words with similar meanings to identify such forward-looking statements. All statements that address activities, events or developments that we intend, expect or believe may occur in the future are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements may relate to such matters as our industry, business strategy, goals and expectations concerning our market position, future operations, future performance or results, margins, profitability, capital expenditures, liquidity and capital resources, interest rates and other financial and operating information and the outcome of contingencies such as legal and administrative proceedings.

The forward-looking statements contained in this Form 10-Q are based on management’s current expectations and are subject to uncertainty and changes in circumstances. We cannot guarantee that the results and other expectations expressed, anticipated or implied in any forward-looking statement will be realized. The following are some of the factors that could cause actual future results to differ materially from those expressed in any forward-looking statements: accounting entries and adjustments at the close of a fiscal quarter; unexpected expenses and risks associated with our business; our ability to remain competitive in the areas of merchandise quality, price, breadth of selection, customer service and convenience; the effective management of our merchandise buying and inventory levels; the quality and safety of food products and other items that we may sell; our ability to anticipate and/or react to changes in customer demand; changes in economic and financial conditions, including U.S. fiscal and monetary policy, and the resulting impact on consumer confidence; other changes in consumer confidence and spending; unexpected consumer responses to promotional programs; unusual, unpredictable and/or severe weather conditions, including their effect on our supply chain and our store operations; the effectiveness of our logistics and supply chain model, including the ability of our third-party logistics providers to meet our product demands and restocking needs on a cost competitive basis; the execution and management of our store growth, including the availability and cost of acceptable real estate locations for new store openings, the capital that we utilize in connection with new store development and the anticipated time between lease execution and store opening; the mix of our new store openings as between build to suit sites and second-generation, as-is sites and as between existing markets and newer markets; the actions of third parties involved in our store growth activities, including property owners, landlords, property managers, contractors, subcontractors, government agencies, and current tenants who occupy one or more of our proposed new store locations, all of whom may be impacted by their financial condition, their lenders, their activities outside of those focused on our new store growth and other tenants, customers and business partners of theirs; impairment of recorded goodwill and other long-lived assets; global economies and credit and financial markets; our ability to maintain the security of electronic and other confidential and/or personal information; serious disruptions and catastrophic events; competition; personnel recruitment and retention; acquisitions and divestitures, including the ability to integrate successfully any such acquisitions; information systems and technology; commodity, energy, fuel and other cost increases; compliance with laws, regulations and orders; changes in laws and regulations; outcomes of litigation and proceedings and the availability of insurance, indemnification and other third-party coverage of any losses suffered in connection therewith; tax matters; numerous other matters of national, regional and global scale, including those of a political, economic, business, and competitive nature; the outcome of the strategic and financial review being conducted by the Company and the Board of Directors; and other factors, many of which are beyond our control. A further description of these and other risks and uncertainties can be found under Part I, Item 1A, “Risk Factors,” in our Annual Report on Form 10-K for the fiscal year ended January 25, 2015. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, our actual results may vary in material respects from those projected in these forward-looking statements. You should bear this in mind as you consider forward-looking statements.

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Any forward-looking statement made by us in this Form 10-Q speaks only as of the date hereof. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by any applicable securities laws. You are advised, however, to consult any further disclosures we may make in our future reports to the Securities and Exchange Commission, on our website, or otherwise.

The Fresh Market, Inc.

Form 10-Q

For the Thirteen and Thirty-Nine Weeks Ended October 25, 2015

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Part I. Financial Information

Item 1. Financial Statements

The Fresh Market, Inc.

Consolidated Balance Sheets

(In thousands, except share amounts)

(unaudited)

	October 25, 2015	January 25, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$37,328	\$48,486
Accounts receivable	7,936	12,442
Inventories	68,398	61,237
Prepaid expenses and other current assets	3,870	4,633
Income tax benefit	4,825	622
Deferred income taxes	9,095	6,957
Total current assets	131,452	134,377
Property and equipment, net	411,720	392,194
Deferred income taxes	6,595	1,452
Other assets	7,157	9,429
Total assets	\$556,924	\$537,452
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$48,871	\$45,592
Accrued liabilities	78,287	74,641
Total current liabilities	127,158	120,233
Capital and financing lease obligations	32,493	33,337
Closed store reserves	9,787	10,187
Deferred income taxes	—	929
Deferred rent	14,662	13,797
Deferred lease incentives	17,085	14,117
Other liabilities	16,518	16,065
Total noncurrent liabilities	90,545	88,432
Commitments and contingencies (Notes 2 and 9)		
Stockholders' equity:		
Preferred stock – \$0.01 par value; 40,000,000 shares authorized, none issued	—	—
Common stock – \$0.01 par value; 200,000,000 shares authorized, 46,922,644 and 48,392,201 shares issued and outstanding as of October 25, 2015 and January 25, 2015, respectively	468	483
Additional paid-in capital	127,950	122,526
Retained earnings	210,803	205,778
Total stockholders' equity	339,221	328,787
Total liabilities and stockholders' equity	\$556,924	\$537,452

See accompanying notes to consolidated financial statements.

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The Fresh Market, Inc.

Consolidated Statements of Comprehensive Income

(In thousands, except share and per share amounts)

(unaudited)

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	October 25, 2015	October 26, 2014	October 25, 2015	October 26, 2014
Sales	\$433,124	\$419,450	\$1,337,260	\$1,272,679
Cost of goods sold (exclusive of depreciation shown separately)	289,106	281,375	883,687	842,723
Gross profit	144,018	138,075	453,573	429,956
Operating expenses:				
Selling, general and administrative expenses	109,568	100,781	318,305	299,048
Impairments and store closure costs	304	(2,728) 14,565	13,881
Depreciation	17,462	15,694	50,384	45,996
Income from operations	16,684	24,328	70,319	71,031
Interest expense	1,020	1,086		