

SMART & FINAL INC/DE
Form 8-K
May 12, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported)

May 12, 2004

SMART & FINAL INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State of Incorporation)

001-10811
(Commission File Number)

95-4079584
(I.R.S. Employer

Identification No.)

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600 Citadel Drive

City of Commerce, California
(Address of principal executive offices)

90040
(Zip Code)

Registrant's telephone number, including area code: (323) 869-7500

Item 9. Regulation FD Disclosure.

The information required by Item 9 of this Current Report on Form 8-K is set forth below in Item 12 and is incorporated herein by this reference.

Item 12. Results of Operations and Financial Condition.

Smart & Final Inc. is making public disclosure of certain 2003 quarterly information to provide additional comparative detail regarding Continuing Operations . Portions of the quarterly information have been previously disclosed as a part of the Company 's prior filings. The information in the Consolidated Balance Sheets as of March 23, 2003, June 15, 2003 and October 5, 2003 and the information in the Consolidated Statements of Cash Flow for the twelve weeks ended March 23, 2003, the twenty-four weeks ended June 15, 2003 and the forty weeks ended October 5, 2003 reflect certain reclassifications of discontinued operations to conform to current presentations.

SMART & FINAL INC.

SUMMARY OF QUARTERLY RESULTS OF OPERATIONS

(dollars in thousands, except per share amounts)

| | Fiscal Year 2003 (A) | | | | |
|--|----------------------|-------------|-------------|-------------|--------------|
| | First | Second | Third | Fourth | Total |
| | Quarter | Quarter | Quarter | Quarter | |
| | 12 Weeks | 12 Weeks | 16 Weeks | 12 Weeks(C) | 52 Weeks |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | |
| Sales | \$ 354,637 | \$ 392,664 | \$ 538,392 | \$ 444,421 | \$ 1,730,114 |
| Cost of sales, buying and occupancy | 296,963 | 325,880 | 442,892 | 367,371 | 1,433,106 |
| Gross margin | 57,674 | 66,784 | 95,500 | 77,050 | 297,008 |
| Operating and administrative expenses | 50,399 | 55,847 | 77,042 | 62,296 | 245,584 |
| Litigation and other charges | | 18,400 | (400) | (4,166) | 13,834 |
| Income (loss) from operations | 7,275 | (7,463) | 18,858 | 18,920 | 37,590 |
| Interest expense, net | 2,754 | 2,694 | 5,976 | 4,084 | 15,508 |
| Income (loss) from continuing operations before income tax provision | 4,521 | (10,157) | 12,882 | 14,836 | 22,082 |
| Income tax provision | (1,797) | 3,480 | (4,858) | (6,054) | (9,229) |
| Equity earnings in unconsolidated subsidiary | 11 | 64 | 297 | 372 | 744 |
| Income (loss) from continuing operations | 2,735 | (6,613) | 8,321 | 9,154 | 13,597 |
| Discontinued operations, net of tax | (2,572) | (57,318) | (7,405) | (1,240) | (68,535) |
| Income (loss) before cumulative effect of accounting change | 163 | (63,931) | 916 | 7,914 | (54,938) |
| Cumulative effect of accounting change (variable interest entity, net of tax of \$3,534) | | (5,301) | | | (5,301) |
| Net income (loss) | \$ 163 | \$ (69,232) | \$ 916 | \$ 7,914 | \$ (60,239) |
| Earnings (loss) per common share: | | | | | |
| Earnings (loss) per common share from continuing operations | \$ 0.09 | \$ (0.22) | \$ 0.28 | \$ 0.31 | \$ 0.46 |
| Loss per common share from discontinued operations | (0.09) | (1.92) | (0.25) | (0.04) | (2.30) |
| Cumulative effect of accounting change per common share | | (0.18) | | | (0.18) |
| Earnings (loss) per common share | \$ 0.01 | \$ (2.31) | \$ 0.03 | \$ 0.27 | \$ (2.02) |
| Weighted average common shares | 29,728,233 | 29,909,973 | 29,740,307 | 29,743,423 | 29,777,393 |

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| | | | | | |
|---|------------|------------|------------|------------|------------|
| Earnings (loss) per common share, assuming dilution: | | | | | |
| Earnings (loss) per common share, assuming dilution, from continuing operations | \$ 0.09 | \$ (0.22) | \$ 0.28 | \$ 0.30 | \$ 0.46 |
| Loss per common share, assuming dilution, from discontinued operations | (0.09) | (1.92) | (0.25) | (0.04) | (2.30) |
| Cumulative effect of accounting change per common share, assuming dilution | | (0.18) | | | (0.18) |
| <hr/> | | | | | |
| Earnings (loss) per common share, assuming dilution | \$ 0.01 | \$ (2.31) | \$ 0.03 | \$ 0.26 | \$ (2.02) |
| <hr/> | | | | | |
| Weighted average common shares and common share equivalents (B) | 29,734,260 | 29,909,973 | 29,924,408 | 30,460,140 | 29,777,393 |
| <hr/> | | | | | |

- (A) Fiscal year 2003 consists of twelve-week periods in the first, second and fourth quarters, and one sixteen-week period in the third quarter. Certain amounts have been reclassified to conform to the 2003 full-year presentation. Amounts may not aggregate due to rounding.
- (B) The weighted average common shares and common share equivalents include the common stock equivalents related to stock options.
- (C) Results of 2003 fourth quarter reflect the impact from the strike and lockout between the United Foods and Commercial Workers Union and three major grocery chains in Southern California and a \$4.2 million pre-tax adjustment to reserves for litigation and other charges.

SMART & FINAL INC.

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

| | March 23, 2003 | June 15, 2003 | October 5, 2003 | December 28, 2003 |
|---|-------------------|-------------------|--------------------|----------------------|
| | (Unaudited) | (Unaudited) | (Unaudited) | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 30,777 | \$ 35,446 | \$ 40,925 | \$ 50,949 |
| Accounts receivable, less allowance for doubtful accounts | 12,973 | 14,741 | 15,181 | 15,524 |
| Inventories | 116,622 | 123,105 | 123,013 | 123,428 |
| Prepaid expenses and other current assets | 9,832 | 7,857 | 17,899 | 27,069 |
| Deferred tax asset | 12,916 | 12,992 | 12,513 | 16,660 |
| Assets of discontinued operations | 150,245 | 90,122 | 8,966 | 4,681 |
| | <u>333,365</u> | <u>284,263</u> | <u>218,467</u> | <u>238,311</u> |
| Property, plant and equipment: | | | | |
| Land | 32,207 | 70,854 | 68,156 | 68,042 |
| Buildings and improvements | 30,308 | 73,648 | 64,251 | 64,237 |
| Leasehold improvements | 107,962 | 108,389 | 110,922 | 113,388 |
| Fixtures and equipment | 173,625 | 172,771 | 176,690 | 179,079 |
| | <u>344,102</u> | <u>425,662</u> | <u>420,019</u> | <u>424,746</u> |
| Less Accumulated depreciation and amortization | 156,568 | 167,488 | 172,902 | 177,706 |
| | <u>187,534</u> | <u>258,174</u> | <u>247,117</u> | <u>247,040</u> |
| Net property, plant and equipment | 187,534 | 258,174 | 247,117 | 247,040 |
| Assets under capital leases, net of accumulated amortization | 5,058 | 4,563 | 4,198 | 3,926 |
| Goodwill | 34,775 | 34,775 | 34,775 | 34,775 |
| Deferred tax asset | 8,963 | 34,145 | 32,234 | 16,123 |
| Other assets | 43,738 | 46,370 | 51,037 | 55,350 |
| | <u>319,066</u> | <u>377,620</u> | <u>369,261</u> | <u>357,114</u> |
| Total assets | \$ 613,433 | \$ 662,290 | \$ 587,858 | \$ 595,525 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| Current liabilities: | | | | |
| Current maturities of long-term debt and capital leases | \$ 131,623 | \$ 189,416 | \$ 77,027 | \$ 61,964 |
| Notes payable to affiliate | | 20,100 | | |
| Accounts payable | 70,767 | 80,173 | 75,071 | 94,402 |
| Accrued salaries and wages | 8,304 | 10,565 | 13,035 | 15,827 |
| Other accrued liabilities | 33,121 | 58,481 | 52,860 | 45,646 |
| Liabilities of discontinued operations | 29,155 | 32,306 | 10,586 | 7,296 |
| | <u>272,970</u> | <u>391,041</u> | <u>228,579</u> | <u>225,135</u> |
| Long-term liabilities: | | | | |
| Obligations under capital leases | 5,932 | 5,389 | 4,812 | 4,511 |
| Notes payable | | | 66,603 | 53,496 |
| Notes payable to affiliate | | | 20,100 | 33,173 |
| Other long-term liabilities | 21,575 | 22,128 | 23,605 | 25,253 |
| Workers' compensation reserve, postretirement and postemployment benefits | 40,898 | 40,668 | 38,161 | 40,380 |
| | <u>68,503</u> | <u>72,305</u> | <u>122,181</u> | <u>156,713</u> |

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| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Total long-term liabilities | 68,405 | 68,185 | 153,281 | 156,813 |
| Commitments and contingencies | | | | |
| Stockholders' equity: | | | | |
| Preferred stock, \$1 par value (authorized 10,000,000 shares; no shares issued) | | | | |
| Common stock, \$0.01 par value (authorized 100,000,000 shares; 29.9 million shares issued and outstanding) | 299 | 299 | 299 | 299 |
| Additional paid-in capital | 207,049 | 207,367 | 208,495 | 207,296 |
| Notes receivable for common stock | (100) | (100) | (100) | (100) |
| Accumulated other comprehensive loss | (11,555) | (11,635) | (10,745) | (9,881) |
| Retained earnings | 76,365 | 7,133 | 8,049 | 15,963 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total stockholders' equity | 272,058 | 203,064 | 205,998 | 213,577 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities and stockholders' equity | \$ 613,433 | \$ 662,290 | \$ 587,858 | \$ 595,525 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

SMART & FINAL INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

| | Twelve weeks ended March 23, 2003 | Twenty-four weeks ended June 15, 2003 | Forty weeks ended October 5, 2003 | Fifty-two weeks ended December 28, 2003 |
|--|--|---|--|--|
| | (Unaudited) | (Unaudited) | (Unaudited) | |
| Cash Flows from Operating Activities: | | | | |
| Income (loss) from continuing operations before cumulative effect of accounting change | \$ 2,735 | \$ (3,878) | \$ 4,443 | \$ 13,597 |
| Adjustments to reconcile income (loss) from continuing operations before cumulative effect of accounting change to net cash provided by continuing activities: | | | | |
| Non-cash litigation and other charges, net of tax | | 11,040 | 10,800 | 8,300 |
| Gain on disposal of property, plant and equipment | (28) | (415) | (614) | (818) |
| Depreciation | 4,373 | 8,770 | 14,803 | 19,265 |
| Amortization | 2,688 | 5,611 | 10,307 | 13,189 |
| Amortization of deferred financing costs | 614 | 1,293 | 2,378 | 3,187 |
| Deferred tax provision | 246 | 162 | 611 | 12,575 |
| Equity earnings in unconsolidated subsidiary | (11) | (75) | (372) | (744) |
| Decrease (increase) in: | | | | |
| Accounts receivable | 5,089 | 3,270 | 3,366 | 6,284 |
| Inventories | 7,057 | 162 | 1,822 | 1,408 |
| Prepaid expenses and other assets | (2,804) | (1,228) | (1,068) | (15,803) |
| Increase (decrease) in: | | | | |
| Accounts payable | (1,937) | 9,707 | 3,082 | 20,459 |
| Accrued salaries and wages | (66) | 2,195 | 4,375 | 7,167 |
| Other accrued liabilities | 690 | 21 | 1,856 | 1,415 |
| Net cash provided by continuing activities | 18,646 | 36,635 | 55,789 | 89,481 |
| Net cash provided by (used in) discontinued activities | 294 | 3,289 | (4,778) | (4,568) |
| Net cash provided by operating activities | 18,940 | 39,924 | 51,011 | 84,913 |
| Cash Flows from Investing Activities: | | | | |
| Acquisition of property, plant and equipment | (3,657) | (9,291) | (16,602) | (21,236) |
| Proceeds from disposal of property, plant and equipment | 25 | 1,451 | 1,586 | 1,928 |
| Investment in capitalized software | (621) | (3,185) | (7,224) | (11,699) |
| Other | (378) | (1,381) | (1,502) | (1,215) |
| Net cash used in continuing activities | (4,631) | (12,406) | (23,742) | (32,222) |
| Net proceeds from divestitures | | | 37,898 | 37,898 |
| Net cash (used in) provided by discontinued activities | (914) | 53 | 14,252 | 14,252 |
| Net cash (used in) provided by investing activities | (5,545) | (12,353) | 28,408 | 19,928 |
| Cash Flows from Financing Activities: | | | | |
| Payments on bank line of credit | (12,678) | (16,678) | (62,500) | (77,500) |
| Borrowings on bank line of credit | 7,500 | 7,500 | 7,500 | 7,500 |
| Payments on notes payable | (418) | (5,855) | (6,394) | (6,792) |

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|--|-----------|-----------|-----------|-----------|
| Proceeds from issuance of common stock, net of costs | | | 40 | 40 |
| Net cash used in continuing activities | (5,596) | (15,033) | (61,354) | (76,752) |
| Net cash used in discontinued activities | (24) | (94) | (142) | (142) |
| Net cash used in financing activities | (5,620) | (15,127) | (61,496) | (76,894) |
| Increase in cash and cash equivalents | 7,775 | 12,444 | 17,923 | 27,947 |
| Cash and cash equivalents at beginning of the period | 23,002 | 23,002 | 23,002 | 23,002 |
| Cash and cash equivalents at end of the period | \$ 30,777 | \$ 35,446 | \$ 40,925 | \$ 50,949 |

