

PUBLIX SUPER MARKETS INC  
Form 10-K  
March 03, 2014

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 28, 2013  
Commission File Number 0-00981

PUBLIX SUPER MARKETS, INC.

(Exact name of Registrant as specified in its charter)

Florida

(State of Incorporation)

59-0324412

(I.R.S. Employer Identification No.)

3300 Publix Corporate Parkway

Lakeland, Florida

(Address of principal executive offices)

33811

(Zip code)

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

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

Securities registered pursuant to Section 12(g) of the Act: Common Stock \$1.00 Par Value

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes                      No        X

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        X

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 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. (X)

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 Act).

Yes                      No        X

The aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately \$10,288,030,000 as of June 28, 2013, the last trading day of the Registrant's most recently completed second fiscal quarter.

The number of shares of the Registrant's common stock outstanding as of February 4, 2014 was 775,582,000.

Documents Incorporated By Reference

The information required by Part III of this report, to the extent not set forth herein, is incorporated by reference from the Proxy Statement solicited for the 2014 Annual Meeting of Stockholders to be held on April 15, 2014.

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## PART I

## Item 1. Business

Publix Super Markets, Inc. and its wholly owned subsidiaries (the Company) are in the primary business of operating retail food supermarkets in Florida, Georgia, Alabama, South Carolina and Tennessee. The Company will expand its retail operations into North Carolina in 2014. The Company was founded in 1930 and later merged into another corporation that was originally incorporated in 1921. The Company has no other significant lines of business or industry segments.

## Merchandising and manufacturing

The Company sells grocery (including dairy, produce, deli, bakery, meat and seafood), health and beauty care, general merchandise, pharmacy, floral and other products and services. The percentage of consolidated sales by merchandise category for 2013, 2012 and 2011 was as follows:

	2013		2012		2011	
Grocery	85	%	85	%	86	%
Other	15	%	15	%	14	%
	100	%	100	%	100	%

The Company's lines of merchandise include a variety of nationally advertised and private-label brands as well as unbranded merchandise such as produce, meat and seafood. The Company receives the food and non-food products it distributes from many sources. These products are delivered to the supermarkets through Company distribution centers or directly from the suppliers and are generally available in sufficient quantities to enable the Company to adequately satisfy its customers. Approximately 74% of the total cost of products purchased is delivered to the supermarkets through the Company's distribution centers. The Company believes that its sources of supply of these products and raw materials used in manufacturing are adequate for its needs and that it is not dependent upon a single supplier or relatively few suppliers. Private-label items are produced in the Company's dairy, bakery and deli manufacturing facilities or are manufactured for the Company by outside suppliers.

The Company has experienced no significant changes in the kinds of products sold or in its methods of distribution since the beginning of the fiscal year.

## Store operations

The Company operated 1,079 supermarkets at the end of 2013, compared with 1,069 at the beginning of the year. In 2013, 22 supermarkets were opened (including seven replacement supermarkets) and 109 supermarkets were remodeled. Twelve supermarkets were closed during the period. The replacement supermarkets opened in 2013 replaced seven of the supermarkets closed during the same period. Four of the remaining supermarkets closed in 2013 will be replaced on site in subsequent periods and one supermarket will not be replaced. New supermarkets added 0.5 million square feet in 2013, an increase of 1.0%. At the end of 2013, the Company had 759 supermarkets located in Florida, 181 in Georgia, 55 in Alabama, 48 in South Carolina and 36 in Tennessee. Also, as of year end, the Company had five supermarkets under construction in Florida, two each in North Carolina, South Carolina and Tennessee and one in Alabama.

## Competition

The Company is engaged in the highly competitive retail food industry. Competition is based primarily on quality of goods and service, price, convenience, product mix and store location. The Company's primary competition throughout its market areas is with several national and regional supermarket chains, independent supermarkets, supercenters, membership warehouse clubs, mass merchandisers, dollar stores, drug stores, specialty food stores, restaurants and convenience stores. The Company anticipates continued competitor format innovation and location additions in 2014.

## Working capital

The Company's working capital at the end of 2013 consisted of \$3,260.1 million in current assets and \$2,378.9 million in current liabilities. Normal operating fluctuations in these balances can result in changes to cash flows from operating activities presented in the consolidated statements of cash flows that are not necessarily indicative of long-term operating trends. There are no unusual industry practices or requirements relating to working capital items.

## Seasonality

The historical influx of winter residents to Florida and increased purchases of products during the traditional Thanksgiving, Christmas and Easter holidays typically result in seasonal sales increases between November and April of each year.

#### Employees

The Company had 166,000 full-time and part-time employees at the end of 2013. The Company considers its employee relations to be good.

#### Intellectual property

The Company's trademarks, trade names, copyrights and similar intellectual property are important to the success of the Company's business. Numerous trademarks, including "Publix" and "Where Shopping is a Pleasure," have been registered with the U.S. Patent and Trademark Office. Due to the importance of its intellectual property to its business, the Company actively defends and enforces its rights to such property.

#### Environmental matters

Compliance by the Company with federal, state and local environmental protection laws and regulations during 2013 had no material effect upon capital expenditures, results of operations or the competitive position of the Company.

#### Company information

This Annual Report on Form 10-K and the 2014 Proxy Statement will be mailed on or about March 13, 2014 to stockholders of record as of the close of business on February 4, 2014. These reports as well as Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports may also be obtained electronically, free of charge, through the Company's website at [www.publix.com/stock](http://www.publix.com/stock).

#### Item 1A. Risk Factors

In addition to the other information contained in this Form 10-K, the following risk factors should be considered carefully in evaluating the Company's business. The Company's financial condition and results of operations could be materially adversely affected by any of these risks.

Increased competition and low profit margins could adversely affect the Company.

The retail food industry in which the Company operates is highly competitive with low profit margins. The Company's competitors include national and regional supermarket chains, independent supermarkets, supercenters, membership warehouse clubs, mass merchandisers, dollar stores, drug stores, specialty food stores, restaurants and convenience stores. The Company's ability to attract and retain customers is based primarily on quality of goods and service, price, convenience, product mix and store location. The Company believes it will face increased competition in the future from all of these competitors and its financial condition and results of operations could be impacted by the pricing, purchasing, advertising or promotional decisions made by its competitors.

General economic and other conditions that impact consumer spending could adversely affect the Company.

The Company's results of operations are sensitive to changes in general economic conditions that impact consumer spending. Adverse economic conditions, including high unemployment, home foreclosures and weakness in the housing market, declines in the stock market and the instability of the credit markets, could cause a reduction in consumer spending. Other conditions that could also affect disposable consumer income include increases in tax rates, increases in fuel and energy costs, increases in health care costs, the impact of natural disasters or acts of terrorism, and other factors. This reduction in the level of consumer spending could cause customers to purchase lower-margin items or to shift spending to lower-priced competitors, which could adversely affect the Company's financial condition and results of operations.

Increased operating costs could adversely affect the Company.

The Company's operations tend to be more labor intensive than some of its competitors due to the additional customer service offered in its supermarkets. Consequently, uncertain labor markets, government mandated increases in the minimum wage or other benefits, an increased proportion of full-time employees, increased costs of health care due to health insurance reform or other factors could result in an increase in labor costs. In addition, the inability to improve or manage operating costs, such as payroll, facilities, or other non-product related costs, could adversely affect the Company's financial condition and results of operations.

Failure to execute on the Company's core strategies could adversely affect the Company.

The Company's core strategies focus on customer service, product quality, shopping environment, competitive pricing and convenient locations. The Company has implemented several strategic business and technology initiatives as part of the execution of these core strategies. The Company believes these core strategies and related strategic initiatives differentiate it from its competition and present opportunities for increased market share and sustained financial growth. Failure to execute on these core strategies, or a failure to execute the core strategies on a cost effective basis,

could adversely affect the Company's financial condition and results of operations.

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Failure to identify and obtain or retain suitable supermarket sites could adversely affect the Company.

The Company's ability to obtain sites for new supermarkets and, to a lesser extent, acquire existing supermarket locations is dependent on identifying and entering into lease or purchase agreements on commercially reasonable terms for properties that are suitable for its needs. If the Company fails to identify suitable sites and enter into lease or purchase agreements on a timely basis for any reason, including competition from other companies seeking similar sites, the Company's growth could be adversely affected because it may be unable to open new supermarkets as anticipated. Similarly, its business could be adversely affected if it is unable to renew the leases on its supermarkets on commercially reasonable terms.

Disruptions in information technology systems or a security breach could adversely affect the Company.

The Company is dependent on complex information technology systems to operate its business, enhance customer service, improve the efficiency of its supply chain and increase employee efficiency. The Company's information technology systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, catastrophic events and user errors. The Company's information technology systems are also subject to security breaches, including cyber security breaches and breaches of transaction processing, that could result in the compromise of confidential customer data, including debit and credit cardholder data. Any disruptions in information technology systems or a security breach could have an adverse effect on the Company's financial condition and results of operations.

Unexpected changes in the insurance market or factors affecting self-insurance reserve estimates could adversely affect the Company.

The Company uses a combination of insurance coverage and self-insurance to provide for potential liability for workers' compensation, general liability, fleet liability, employee benefits and directors and officers liability. The Company is self insured for property, plant and equipment losses. There is no assurance that the Company will be able to continue to maintain its insurance coverage or obtain comparable insurance coverage at a reasonable cost.

Self-insurance reserves are determined based on actual claims experience and an estimate of claims incurred but not reported including, where necessary, actuarial studies. Actuarial projections of losses are subject to variability caused by, but not limited to, such factors as future interest and inflation rates, future economic conditions, litigation trends and benefit level changes. The Company's financial condition and results of operations could be adversely affected by an increase in the frequency or costs of claims and changes in actuarial assumptions or a catastrophic event involving property, plant and equipment losses.

Product liability claims, product recalls and the resulting unfavorable publicity could adversely affect the Company.

The packaging, marketing, distribution and sale of grocery, drug and other products purchased from suppliers or manufactured by the Company entails an inherent risk of product liability claims, product recall and the resulting adverse publicity. Such products may contain contaminants that may be inadvertently distributed by the Company. These contaminants may, in certain cases, result in illness, injury or death if processing at the consumer level, if applicable, does not eliminate the contaminants. Even an inadvertent shipment of adulterated products is a violation of law and may lead to a product recall and/or an increased risk of exposure to product liability claims. There can be no assurance that such claims will not be asserted against the Company or that the Company will not be obligated to perform product recalls in the future. If a product liability claim is successful, the Company's insurance coverage may not be adequate to pay all liabilities and it may not be able to continue to maintain such insurance coverage or obtain comparable insurance coverage at a reasonable cost. If the Company does not have adequate insurance coverage or contractual indemnification available, product liability claims relating to defective products could have an adverse effect on the Company's ability to successfully market its products and on the Company's financial condition and results of operations. In addition, even if a product liability claim is not successful or is not fully pursued, the adverse publicity surrounding any assertion that the Company's products caused illness or injury could have an adverse effect on the Company's reputation with existing and potential customers and on the Company's financial condition and results of operations.

Unfavorable changes in, failure to comply with or increased costs to comply with environmental laws and regulations could adversely affect the Company.

The Company is subject to federal, state and local laws and regulations that govern activities that may have adverse environmental effects and impose liabilities for the costs of contamination cleanup and damages arising from sites of



past spills, disposals or other releases of hazardous materials. Under current environmental laws, the Company may be held responsible for the remediation of environmental conditions regardless of whether the Company leases, subleases or owns the supermarkets or other facilities and regardless of whether such environmental conditions were created by the Company or a prior owner or tenant. The costs of investigation, remediation or removal of environmental conditions may be substantial. In addition, the increased focus on climate change, waste management and other environmental issues may result in new environmental laws or regulations that negatively affect the Company directly or indirectly through increased costs on its suppliers. There can be no assurance that environmental conditions relating to prior, existing or future sites or other environmental changes will not adversely affect the Company's financial condition and results of operations through, for instance, business interruption, cost of remediation or adverse publicity.

Unfavorable changes in, failure to comply with or increased costs to comply with laws and regulations could adversely affect the Company.

In addition to environmental laws and regulations, the Company is subject to federal, state and local laws and regulations relating to, among other things, product labeling and safety, zoning, land use, workplace safety, public health, accessibility and restrictions on the sale of various products including alcoholic beverages, tobacco and drugs. The Company is also subject to laws governing its relationship with employees, including minimum wage requirements, overtime, labor, working conditions, disabled access and work permit requirements. Compliance with, or changes in, these laws, as well as passage of new laws and the inability to deal with increased government regulation, could adversely affect the Company's financial condition and results of operations.

Unfavorable results of legal proceedings could adversely affect the Company.

The Company is subject from time to time to various lawsuits, claims and charges arising in the normal course of business including employment, personal injury, commercial and other matters. Some lawsuits also contain class action allegations. The Company estimates its exposure to these legal proceedings and establishes reserves for the estimated liabilities. Assessing and predicting the outcome of these matters involves substantial uncertainties. Although not currently anticipated by the Company, material differences in actual outcomes or changes in the Company's evaluation could arise that could have a material adverse effect on the Company's financial condition or results of operations.

#### Item 1B. Unresolved Staff Comments

None

#### Item 2. Properties

At year end, the Company operated approximately 50.3 million square feet of supermarket space. The Company's supermarkets vary in size. Current supermarket prototypes range from 28,000 to 61,000 square feet. Supermarkets are often located in strip shopping centers where the Company is the anchor tenant. The majority of the Company's supermarkets are leased. Substantially all of these leases will expire during the next 20 years. However, in the normal course of business, it is expected that the leases will be renewed or replaced by new leases. Both the building and land are owned at 143 locations. The building is owned while the land is leased at 53 other locations.

The Company supplies its supermarkets from eight primary distribution centers located in Lakeland, Miami, Jacksonville, Sarasota, Orlando, Deerfield Beach and Boynton Beach, Florida and Lawrenceville, Georgia. The Company operates six manufacturing facilities including three dairy plants located in Lakeland and Deerfield Beach, Florida and Lawrenceville, Georgia, two bakery plants located in Lakeland, Florida and Atlanta, Georgia and a deli plant located in Lakeland, Florida.

The Company's corporate offices, primary distribution centers and manufacturing facilities are owned with no outstanding debt. The Company's properties are well maintained, in good operating condition and suitable and adequate for operating its business.

#### Item 3. Legal Proceedings

The Company is subject from time to time to various lawsuits, claims and charges arising in the normal course of business. The Company believes its recorded reserves are adequate in light of the probable and estimable liabilities.

The estimated amount of reasonably possible losses for lawsuits, claims and charges, individually and in the aggregate, is considered to be immaterial. 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 4. Mine Safety Disclosures

Not applicable.

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Name	Age	Business Experience During Last Five Years	Served as Officer of Company Since
Executive Officers of the Company			
John A. Attaway, Jr.	55	Senior Vice President, General Counsel and Secretary of the Company.	2000
Hoyt R. Barnett	70	Vice Chairman of the Company and Trustee of the Employee Stock Ownership Plan.	1977
David E. Bornmann	56	Vice President of the Company to March 2013, Senior Vice President thereafter.	1998
William E. Crenshaw	63	Chief Executive Officer of the Company.	1990
Laurie Z. Douglas	50	Senior Vice President and Chief Information Officer of the Company.	2006
John T. Hrabusa	58	Senior Vice President of the Company.	2004
Randall T. Jones, Sr.	51	President of the Company.	2003
David P. Phillips	54	Chief Financial Officer and Treasurer of the Company.	1990
Michael R. Smith	54	Vice President of the Company to March 2013, Senior Vice President thereafter.	2005
Officers of the Company			
David E. Bridges	64	Vice President of the Company.	2000
Scott E. Brubaker	55	Vice President of the Company.	2005
Jeffrey G. Chamberlain	57	Director of Real Estate Strategy of the Company to January 2011, Vice President thereafter.	2011
Joseph DiBenedetto, Jr.	54	Regional Director of Retail Operations of the Company to January 2011, Vice President thereafter.	2011
G. Gino DiGrazia	51	Vice President of the Company.	2002
David S. Duncan	60	Vice President of the Company.	1999
Sandra J. Estep	54	Vice President of the Company.	2002
William V. Fauerbach	67	Vice President of the Company.	1997