

Wholesalers & Independent Grocers

Acquisitions Fuel Supervalu Net Sales Jump

On Jan. 10, Supervalu reported third quarter fiscal 2018 consolidated net sales of \$3.94 billion, a 31 percent increase vs. the prior-year period's \$3.00 billion.

Net sales in the company's wholesale segment increased 52 percent, but retail identical store sales were down 3.5 percent, reflecting the grocer's emphasis on the wholesale side of its business.

"We're pleased to have completed our acquisition of AG Florida early in the fourth quarter," said Supervalu President and CEO Mark Gross. "The work done in the third quarter concluded with this deal which, combined with the acquisition of Unified Grocers (based in Southern California) earlier this fiscal year, demonstrates our commitment to the strategic growth of our wholesale business. Furthermore, we're extremely pleased with the integration work at Unified and the progress made in that market."

"In addition to these recent acquisitions, we continue to achieve strong underlying growth in our wholesale business," Gross said. "With the influx of significant new business in certain distribution centers, we experienced a larger-than-anticipated increase in expenses, but we're encouraged by the work we are doing to address those costs and believe they are manageable going forward. We remain committed to investing in our wholesale business to drive future growth."

Fees earned under services agreements in the third quarter were \$33 million vs. \$37 million the prior year.

Wholesale results

As noted, third quarter wholesale net sales were up 52 percent, reaching \$2.89 billion vs. \$1.91 billion last year. According to Supervalu, the results reflect sales from the acquired Unified Grocers business as well as sales to new customers and increased sales to new stores operated by existing customers, partially offset by stores no longer operated by customers and lower military sales.

Wholesale operating earnings in the third quarter were \$46 million and included \$2 million of merger and integration costs. When adjusted for this item, earnings were \$48 million, or 1.7 percent of net sales. Last year's third quarter wholesale operating earnings were \$52 million, or 2.7 percent of net sales. The decrease in adjusted wholesale operating earnings, as a percent of net sales, was driven by the mix impact of the acquired Unified Grocers business contributing to operating earnings at a lower percent of net sales and higher trucking and logistics costs.

Retail results

Third quarter retail net sales were \$1.02 billion, compared to \$1.06 billion last year, a decrease of 4.1 percent. The net sales decrease reflects the 3.5 percent ID store sales decrease and closed stores, partially offset by new and acquired store sales.

The retail banners Supervalu owns and operates are Cub Foods in Minneapolis-St. Paul; Hornbacher's in the Fargo-Moorhead area; Shop 'N Save in St. Louis; Shoppers in Washington, D.C.; and Farm Fresh in Virginia. They operated a total of 213 stores as of Dec. 2.

Retail operating loss in the third quarter was \$6 million and included \$3 million in store closure charges and costs. When adjusted for this item, retail operating loss in the third quarter was \$3 million. Last year's third quarter retail operating loss was \$14 million and included a \$15 million goodwill impairment charge and \$1 million of store closure charges and costs. When adjusted for these items, last year's third quarter retail operating earnings were \$2 million, or 0.2 percent of net sales. The decrease in adjusted retail operating earnings was driven by the impact of lower gross margins from lower net sales.

Minneapolis-based Supervalu is one of the largest grocery wholesalers and retailers in the U.S. with annual sales of approximately \$16 billion. Its wholesale customer base includes 3,111 stores in addition to its 213 traditional retail grocery stores.

ReposiTrak Helps AWG Ensure Suppliers Are FMSSA Compliant

Associated Wholesale Grocers Inc. (AWG) has chosen ReposiTrak for its supplier management compliance efforts.

ReposiTrak helps manage regulatory, financial and brand risk associated with issues of safety in the supply chain through a platform that receives, stores and shares documentation, and manages compliance through dashboards and alerts for missing or expired documents.

With the Food Safety Modernization Act (FSMA) going into effect, Shelly Stegner, director of food safety for AWG, said her company needed a tool to more efficiently collect additional corporate and food safety documentation, share agreements like recall covenants and automate supplier approval programs, as well as to access documentation in one place 24/7 to ensure more effective coverage during a potential FDA inspection or request. AWG now has real-time data access to determine if suppliers are, or are not, meeting requirements.

"Using ReposiTrak is an easy way to keep track and retain all the records that you've been trying to manage before. And not only can you keep them, but there are also visual statistics behind the documents, which you don't have when storing hard copies," Stegner said.

AWG consulted with ReposiTrak to determine how to get started, asking questions like do we know who our suppliers are? Are those suppliers active or inactive? Do we have the right documentation from them based on their profile?

Once this base information was inputted, AWG was able to run queries against the database to confirm the compliance of each supplier for each order.

As critical as compliance with government regulations is, Stegner says she is working to protect the reputations of AWG's 3,800 independently owned supermarkets in 36 states in the event of a food safety episode not involving AWG delivered goods or products. Plus, she needed to provide the company's eight full-line wholesale divisions and its subsidiary operations with all appropriate food safety tools and processes to support those retailers.

"We now have an accurate list of suppliers that ReposiTrak has helped us qualify," said Stegner. "We leveraged their team to follow up and even nag suppliers to correct document and confirmation issues. The process was easier than we thought it was going to be and having

Please see page 22

Wholesalers & Independent Grocers

From page 20

everything in one database is helping us make sure nothing slips through the cracks.”

Stegner attributes the success of the project to support from merchandisers and executives, “who have instilled a food safety culture companywide,” and to the cross-functional team that has driven adoption of the program through periodic progress reporting. Merchandisers, in particular, have gotten on board, helping to drive non-responsive food, non-food and seasonal vendors to more effective compliance.

In 2017, the company donated \$80,000 to SpartanNash’s food distribution and MDV distribution. In the Southeast, these included:

- Bluefield Union Mission, chosen by the Bluefield
- Food Bank of Southeastern Virginia, Norfolk
- kidsPACK (Caito Foods)
- Manna For