

SpartanNash Co
Form 10-Q
August 20, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended July 18, 2015.

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: 000-31127

SPARTANNASH COMPANY

(Exact Name of Registrant as Specified in Its Charter)

| | |
|-----------------------------------|---------------------|
| Michigan | 38-0593940 |
| (State or Other Jurisdiction of | (I.R.S. Employer |
| Incorporation or Organization) | Identification No.) |
| 850 76 th Street, S.W. | |
| P.O. Box 8700 | |
| Grand Rapids, Michigan | 49518 |

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(Address of Principal Executive Offices) (Zip Code)

(616) 878-2000

(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 Smaller Reporting Company

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

As of August 17, 2015, the registrant had 37,516,876 outstanding shares of common stock, no par value.

FORWARD-LOOKING STATEMENTS

The matters discussed in this Quarterly Report on Form 10-Q, in our press releases and in our website-accessible conference calls with analysts and investor presentations include “forward-looking statements” about the plans, strategies, objectives, goals or expectations of SpartanNash Company and subsidiaries (“SpartanNash”). These forward-looking statements are identifiable by words or phrases indicating that SpartanNash or management “expects,” “anticipates,” “plans,” “believes,” or “estimates,” or that a particular occurrence or event “will,” “may,” “could,” “should,” or “likely” result, occur or be pursued or “continue” in the future, that the “outlook” or “trend” is toward a particular result or occurrence, that a development is an “opportunity,” “priority,” “strategy,” “focus,” that the Company is “positioned” for a particular result, or similarly stated expectations. Accounting estimates, such as those described under the heading “Critical Accounting Policies” in Part I, Item 2 of this Form 10-Q, are inherently forward-looking. Our asset impairment, restructuring cost provisions and fair value measurements are estimates and actual costs may be more or less than these estimates and differences may be material. You should not place undue reliance on these forward-looking statements, which speak only as of the date of the Quarterly Report, other report, release, presentation, or statement.

In addition to other risks and uncertainties described in connection with the forward-looking statements contained in this Quarterly Report on Form 10-Q, SpartanNash’s Annual Report on Form 10-K for the fiscal year ended January 3, 2015 (in particular, you should refer to the discussion of “Risk Factors” in Item 1A of our Annual Report on Form 10-K) and other periodic reports filed with the Securities and Exchange Commission, there are many important factors that could cause actual results to differ materially.

Our ability to achieve sales and earnings expectations; improve operating results; realize benefits of the merger with Nash-Finch Company (including realization of synergies); maintain or strengthen our retail-store performance; assimilate acquired distribution centers and stores; maintain or grow sales; respond successfully to competitors including remodels and new openings; maintain or improve gross margin; effectively address food cost or price inflation or deflation; maintain or improve customer and supplier relationships; realize expected synergies from other acquisition activity; realize expected benefits of restructuring; realize growth opportunities; maintain or expand our customer base; reduce operating costs; sell on favorable terms assets held for sale; generate cash; continue to meet the terms of our debt covenants; continue to pay dividends; and successfully implement and realize the expected benefits of the other programs, initiatives, systems, plans, priorities, strategies, objectives, goals or expectations described in this Quarterly Report, our other reports, our press releases and our public comments will be affected by changes in economic conditions generally or in the markets and geographic areas that we serve, adverse effects of the changing food and distribution industries, adverse changes in government funded consumer assistance programs, possible changes in the military commissary system, including those stemming from the redeployment of forces, congressional action, changes in funding levels, or the effects of mandated reductions in or sequestration of government expenditures, and other factors.

This section is intended to provide meaningful cautionary statements. This should not be construed as a complete list of all economic, competitive, governmental, technological and other factors that could adversely affect our expected consolidated financial position, results of operations or liquidity. Additional risks and uncertainties not currently known to SpartanNash or that SpartanNash currently believes are immaterial also may impair its business, operations, liquidity, financial condition and prospects. We undertake no obligation to update or revise our forward-looking statements to reflect developments that occur or information obtained after the date of this Quarterly Report.

PART I

FINANCIAL INFORMATION

ITEM 1. Financial Statements

SPARTANNASH COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

| | July 18, 2015 | January 3, 2015 |
|--|--------------------|--------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$13,085 | \$6,443 |
| Accounts and notes receivable, net | 298,034 | 282,697 |
| Inventories, net | 552,327 | 577,197 |
| Prepaid expenses and other current assets | 21,678 | 31,882 |
| Property and equipment held for sale | 5,996 | 15,180 |
| Total current assets | 891,120 | 913,399 |
| Property and equipment, net | 587,871 | 597,150 |
| Goodwill | 331,523 | 297,280 |
| Other assets, net | 122,478 | 124,453 |
| Total assets | \$1,932,992 | \$1,932,282 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities | | |
| Accounts payable | \$350,719 | \$320,037 |
| Accrued payroll and benefits | 60,541 | 73,220 |
| Other accrued expenses | 45,705 | 44,690 |
| Deferred income taxes | 28,819 | 22,494 |
| Current maturities of long-term debt and capital lease obligations | 21,669 | 19,758 |
| Total current liabilities | 507,453 | 480,199 |
| Long-term liabilities | | |
| Deferred income taxes | 87,316 | 91,232 |
| Postretirement benefits | 17,022 | 23,701 |
| Other long-term liabilities | 39,379 | 39,387 |
| Long-term debt and capital lease obligations | 516,012 | 550,510 |
| Total long-term liabilities | 659,729 | 704,830 |

Commitments and contingencies (Note 8)

Shareholders' equity

Common stock, voting, no par value; 100,000 shares

| | | |
|--|---------|---------|
| authorized; 37,517 and 37,524 shares outstanding | 518,615 | 520,791 |
|--|---------|---------|

| | | |
|--|---|---|
| Preferred stock, no par value, 10,000 shares authorized; no shares outstanding | — | — |
|--|---|---|

| | | |
|--------------------------------------|-----------|-----------|
| Accumulated other comprehensive loss | (11,359) | (11,655) |
|--------------------------------------|-----------|-----------|

| | | |
|-------------------|---------|---------|
| Retained earnings | 258,554 | 238,117 |
|-------------------|---------|---------|

| | | |
|----------------------------|---------|---------|
| Total shareholders' equity | 765,810 | 747,253 |
|----------------------------|---------|---------|

| | | |
|--|-------------|-------------|
| Total liabilities and shareholders' equity | \$1,932,992 | \$1,932,282 |
|--|-------------|-------------|

See accompanying notes to condensed consolidated financial statements.

SPARTANNASH COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)

(Unaudited)

| | 12 Weeks Ended | | 28 Weeks Ended | |
|--|------------------|------------------|------------------|------------------|
| | July 18, 2015 | July 12, 2014 | July 18, 2015 | July 12, 2014 |
| Net sales | \$1,795,864 | \$1,810,175 | \$4,108,547 | \$4,143,902 |
| Cost of sales | 1,533,822 | 1,545,061 | 3,510,259 | 3,531,450 |
| Gross profit | 262,042 | 265,114 | 598,288 | 612,452 |
| Operating expenses | | | | |
| Selling, general and administrative | 225,433 | 228,806 | 527,804 | 544,271 |
| Merger integration and acquisition | 151 | 2,581 | 2,835 | 6,749 |
| Restructuring (gains) charges and asset impairment | (336) | 1,078 | 7,002 | 1,205 |
| Total operating expenses | 225,248 | 232,465 | 537,641 | 552,225 |
| Operating earnings | 36,794 | 32,649 | 60,647 | 60,227 |
| Other income and expenses | | | | |
| Interest expense | 4,894 | 5,475 | 11,644 | 12,949 |
| Other, net | (26) | — | (54) | 5 |
| Total other income and expenses | 4,868 | 5,475 | 11,590 | 12,954 |
| Earnings before income taxes and discontinued operations | 31,926 | 27,174 | 49,057 | 47,273 |
| Income taxes | 11,619 | 9,779 | 18,303 | 17,359 |
| Earnings from continuing operations | 20,307 | 17,395 | 30,754 | 29,914 |
| Loss from discontinued operations, net of taxes | (46) | (76) | (166) | (285) |
| Net earnings | \$20,261 | \$17,319 | \$30,588 | \$29,629 |
| Basic earnings per share: | | | | |
| Earnings from continuing operations | 0.54 | 0.46 | \$0.82 | \$0.79 |
| Loss from discontinued operations | — | — | (0.01)* | — * |
| Net earnings | 0.54 | 0.46 | \$0.81 | \$0.79 |
| Diluted earnings per share: | | | | |
| Earnings from continuing operations | \$0.54 | \$0.46 | \$0.81 | \$0.79 |
| Loss from discontinued operations | — | — | — | — * |
| Net earnings | \$0.54 | \$0.46 | \$0.81 | \$0.79 |

See accompanying notes to condensed consolidated financial statements.

*Includes rounding

SPARTANNASH COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

| | 12 Weeks Ended | | 28 Weeks Ended | |
|---|------------------|------------------|------------------|------------------|
| | July 18, 2015 | July 12, 2014 | July 18, 2015 | July 12, 2014 |
| Net earnings | \$20,261 | \$17,319 | \$30,588 | \$29,629 |
| Other comprehensive income, before tax | | | | |
| Pension and postretirement liability adjustment | 205 | 204 | 477 | 475 |
| Total other comprehensive income, before tax | 205 | 204 | 477 | 475 |
| Income tax expense related to items of other comprehensive income | (78) | (78) | (181) | (181) |
| Total other comprehensive income, after tax | 127 | 126 | 296 | 294 |
| Comprehensive income | \$20,388 | \$17,445 | \$30,884 | \$29,923 |

See accompanying notes to condensed consolidated financial statements.

SPARTANNASH COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(In thousands)

(Unaudited)

| | Shares Outstanding | Common Stock | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total |
|---|-----------------------|-----------------|--|----------------------|-----------|
| Balance - January 3, 2015 | 37,524 | \$520,791 | \$ (11,655) | \$238,117 | \$747,253 |
| Net earnings | — | — | — | 30,588 | 30,588 |
| Other comprehensive income | — | — | 296 | — | 296 |
| Dividends - \$0.27 per share | — | — | — | (10,151) | (10,151) |
| Share repurchase | (282) | (9,000) | — | — | (9,000) |
| Stock-based employee compensation | — | 5,662 | — | — | 5,662 |
| Issuances of common stock and related tax benefit on stock option exercises and stock bonus plan and from deferred compensation plan | 138 | 2,828 | — | — | 2,828 |
| Issuances of restricted stock and related income tax benefits | 312 | 1,060 | — | — | 1,060 |
| Cancellations of restricted stock | (175) | (2,726) | — | — | (2,726) |
| Balance - July 18, 2015 | 37,517 | \$518,615 | \$ (11,359) | \$258,554 | \$765,810 |

See accompanying notes to condensed consolidated financial statements.

SPARTANNASH COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

| | 28 Weeks Ended | |
|---|------------------|------------------|
| | July 18, 2015 | July 12, 2014 |
| Cash flows from operating activities | | |
| Net earnings | \$ 30,588 | \$ 29,629 |
| Loss from discontinued operations, net of tax | 166 | 285 |
| Earnings from continuing operations | 30,754 | 29,914 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Non-cash restructuring and asset impairment charges | 5,549 | 1,205 |
| Depreciation and amortization | 45,914 | 47,702 |
| LIFO expense | 3,017 | 3,527 |
| Postretirement benefits expense | 562 | 2,843 |
| Deferred taxes on income | 2,228 | 4,182 |
| Stock-based compensation expense | 5,662 | 5,064 |
| Excess tax benefit on stock compensation | (1,036) | (601) |
| Other, net | 117 | (156) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (16,413) | (47,178) |
| Inventories | 25,583 | 20,305 |
| Prepaid expenses and other assets | 1,179 | 3,123 |
| Accounts payable | 31,700 | 23,566 |
| Accrued payroll and benefits | (14,758) | (17,617) |
| Postretirement benefit payments | (652) | (4,798) |
| Other accrued expenses and other liabilities | 3,949 | (7,108) |
| Net cash provided by operating activities | 123,355 | 63,973 |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (37,186) | (37,620) |
| Net proceeds from the sale of assets | 16,613 | 3,427 |
| Acquisition, net of cash acquired | (32,229) | — |
| Loans to customers | (2,075) | (4,544) |
| Payments from customers on loans | 834 | 2,453 |
| Other | (563) | (163) |
| Net cash used in investing activities | (54,606) | (36,447) |
| Cash flows from financing activities | | |
| Proceeds from revolving credit facility | 528,237 | 557,975 |
| Payments on revolving credit facility | (558,709) | (575,729) |
| Share repurchase | (9,000) | — |
| Repayment of other long-term debt | (4,671) | (4,246) |
| Financing fees paid | (1,868) | (436) |
| Excess tax benefit on stock compensation | 1,036 | 601 |
| Proceeds from sale of common stock | 2,401 | 758 |

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| | | |
|--|-----------|-----------|
| Dividends paid | (10,151) | (9,059) |
| Net cash used in financing activities | (52,725) | (30,136) |
| Cash flows from discontinued operations | | |
| Net cash provided by (used in) operating activities | 593 | (186) |
| Net cash used in investing activities | (9,975) | — |
| Net cash used in discontinued operations | (9,382) | (186) |
| Net increase (decrease) in cash and cash equivalents | 6,642 | (2,796) |
| Cash and cash equivalents at beginning of period | 6,443 | 9,216 |
| Cash and cash equivalents at end of period | \$ 13,085 | \$ 6,420 |

See accompanying notes to condensed consolidated financial statements.

SPARTANNASH COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 Summary of Significant Accounting Policies and Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements (the “financial statements”) include the accounts of SpartanNash Company and its subsidiaries (“SpartanNash” or the “Company”). All significant intercompany accounts and transactions have been eliminated.

In the opinion of management, the accompanying financial statements, taken as a whole, contain all adjustments, which are of a normal recurring nature, necessary to present fairly the financial position of SpartanNash as of July 18, 2015, and the results of its operations and cash flows for the interim periods presented. Interim results are not necessarily indicative of results for a full year.

Note 2 Recently Issued Accounting Standards

On April 7, 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-03 “Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs.” ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The new guidance is effective on a retrospective basis for fiscal years beginning after December 15, 2015, and interim periods within those years. Adoption of this standard in fiscal 2016 will retroactively decrease Other long-term assets and Long-term debt. As of July 18, 2015, such amount was approximately \$9.6 million.

On April 10, 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-08 “Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.” ASU 2014-08 changed the criteria for reporting discontinued operations and modified related disclosure requirements. The Company adopted ASU 2014-08 in the first quarter of fiscal 2015. Adoption of ASU 2014-08 did not have a material impact on the Consolidated Financial Statements.

On May 28, 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers,” which provides guidance for revenue recognition. The new guidance contained in the ASU affects any reporting organization that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. On July 9, 2015, the FASB approved a one-year deferral of the effective date of this new guidance, which results in the guidance being effective for the Company in the first quarter of its fiscal year ending December 29, 2018. Adoption is allowed by

either the full retrospective or modified retrospective approach. The Company is currently in the process of evaluating the impact of adoption of this ASC on its Consolidated Financial Statements.

Note 3 Acquisitions

On June 16, 2015, SpartanNash acquired certain assets and assumed certain liabilities of Dan's Super Market, Inc. ("Dan's") for a total purchase price of \$32.6 million, which includes inventory of \$3.8 million. The results of operations of the Dan's acquisition are included in the accompanying Condensed Consolidated Financial Statements from the date of acquisition. Dan's is a six-store chain serving Bismarck and Mandan, North Dakota, and was not a customer of the SpartanNash Food Distribution segment prior to the acquisition. SpartanNash acquired the Dan's stores to strengthen its offering in this region from both a retail and distribution perspective. The purchased assets include inventory, equipment, trade name, favorable lease, non-compete agreements, and goodwill. The acquired assets and assumed liabilities were recorded at their estimated fair values as of the acquisition date and were based on preliminary estimates that may be subject to further adjustments within the measurement period. Goodwill of \$24.5 million and \$1.0 million was preliminarily assigned to the Retail and Food Distribution segments, respectively.

On June 2, 2015, SpartanNash acquired certain assets of Bo's Super Market, Inc. ("Bo's"). Bo's is a twelve-store chain serving southeastern North Carolina and was a customer of the SpartanNash Food Distribution segment prior to the acquisition. SpartanNash intends to sell the stores to an independent distribution customer within the 12-month period following the acquisition. The purchased assets include inventory, equipment, and goodwill and are classified as held for sale in the Condensed Consolidated Balance Sheets. The acquired assets were recorded at their estimated fair values less estimated costs to sell as of the acquisition date and were based on preliminary estimates that may be subject to further adjustments within the measurement period. Goodwill of \$8.7 million was preliminarily assigned to the Food Distribution segment. The results of operations are reported as discontinued operations in the Condensed Consolidated Financial Statements as the acquired assets meet the criteria to be held for sale at the date of acquisition.

Note 4 Goodwill

Changes in the carrying amount of goodwill were as follows:

| (In thousands) | Retail | Food Distribution | Total |
|---|------------|----------------------|------------|
| Balance at January 3, 2015: | | | |
| Goodwill | \$252,532 | \$ 131,348 | \$383,880 |
| Accumulated impairment charges | (86,600) | — | (86,600) |
| Goodwill, net | 165,932 | 131,348 | 297,280 |
| Acquisitions (including held-for-sale disposal group) | 24,512 | 9,746 | 34,258 |
| Other | (15) | — | (15) |
| Balance at July 18, 2015: | | | |
| Goodwill | 277,029 | 141,094 | 418,123 |
| Accumulated impairment charges | (86,600) | — | (86,600) |
| Goodwill, net | \$ 190,429 | \$ 141,094 | \$ 331,523 |

Note 5 Restructuring and Asset Impairment

The following table provides the activity of restructuring costs for the 28 weeks ended July 18, 2015. Accrued restructuring costs recorded in the Condensed Consolidated Balance Sheets are included in “Other accrued expenses” in Current liabilities and “Other long-term liabilities” in Long-term liabilities based on when the obligations are expected to be paid.

| (In thousands) | Lease and Ancillary Costs | Severance | Total |
|--|------------------------------|-----------|-------------|
| Balance at January 3, 2015 | \$ 13,988 | \$ 80 | \$ 14,068 |
| Provision for lease and related ancillary costs, net of sublease income | 6,760 | — | 6,760 (a) |
| Provision for severance | — | 304 | 304 (b) |
| Changes in estimates | (287) | — | (287)(c) |
| Lease termination adjustment | (1,745) | — | (1,745)(d) |
| Accretion expense | 326 | — | 326 |
| Payments | (3,404) | (304) | (3,708) |
| Balance at July 18, 2015 | \$ 15,638 | \$ 80 | \$ 15,718 |

(a) The provision for lease and related ancillary costs represents the initial charges estimated to be incurred for store closings in the Retail segment.

(b) The provision for severance relates to a distribution center closing in the Food Distribution segment.

(c) The changes in estimates relate to revised estimates of lease and ancillary costs and sublease income associated with previously closed stores.

(d)

The lease termination adjustment represents the benefit recognized in connection with lease buyouts on two previously closed stores. The lease liabilities were formerly included in our restructuring cost liability based on initial estimates.

Included in the liability are lease obligations recorded at the present value of future minimum lease payments, calculated using a risk-free interest rate, and related ancillary costs from the date of closure to the end of the remaining lease term, net of estimated sublease income.

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Restructuring and asset impairment charges included in the Condensed Consolidated Statements of Earnings consisted of the following:

| (In thousands) | 12 Weeks Ended | | 28 Weeks Ended | |
|--|----------------|---------------|----------------|---------------|
| | July 18, 2015 | July 12, 2014 | July 18, 2015 | July 12, 2014 |
| Asset impairment charges (a) | \$— | \$— | \$ 2,353 | \$ 906 |
| Provision for leases and related ancillary costs, net of | | | | |
| sublease income, related to store closings (b) | — | 218 | 6,760 | 236 |
| (Gains) losses on sales of assets related to closed facilities (c) | (336) | 320 | (1,876) | (998) |
| Provision for severance (d) | — | 70 | 304 | 266 |
| Other costs associated with distribution center and store closings | — | 163 | 1,493 | 887 |
| Changes in estimates (e) | — | 307 | (287) | (92) |
| Lease termination adjustment (f) | — | — | (1,745) | — |
| | \$ (336) | \$ 1,078 | \$ 7,002 | \$ 1,205 |

- (a) The asset impairment charges were incurred in the Retail segment due to the economic and competitive environment of certain stores.
- (b) The provision for lease and related ancillary costs, net of sublease income, represents the initial charges estimated to be incurred for store closings in the Retail segment.
- (c) The (gains) losses on sales of assets resulted from the sale of a closed food distribution center and sales of closed stores in fiscal 2015 and sales of assets related to closed stores in fiscal 2014.
- (d) The provision for severance related to distribution center closings in the Food Distribution segment.
- (e) The changes in estimates relates to revised estimates of lease ancillary costs associated with previously closed facilities in the Retail and Food Distribution segments. The Retail segment realized \$(287) and \$(379) in the 28 weeks ended July 18, 2015 and July 12, 2014, respectively.
- (f) The lease termination adjustment represents the benefit recognized in connection with lease buyouts on two previously closed stores.

Note 6 Long-Term Debt

On January 9, 2015, SpartanNash Company and certain of its subsidiaries entered into an amendment (the “Amendment”) to the Company’s Amended and Restated Loan and Security Agreement (the “Credit Agreement”) with Wells Fargo Capital Finance, LLC, as administrative agent, and certain lenders to the Credit Agreement. The Amendment reduced the interest rates by 0.25% and extended the maturity date of the Loan Agreement from November 19, 2018 to January 9, 2020.

Note 7 Fair Value Measurements

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Financial instruments include cash and cash equivalents, accounts and notes receivable, accounts payable and long-term debt. The carrying amounts of cash and cash equivalents, accounts and notes receivable, and accounts payable approximate fair value because of the short-term maturities of these financial instruments. At July 18, 2015 and January 3, 2015 the estimated fair value and the book value of our debt instruments were as follows:

| (In thousands) | July 18, 2015 | January 3, 2015 |
|--|------------------|--------------------|
| Book value of debt instruments: | | |
| Current maturities of long-term debt and capital lease obligations | \$ 21,669 | \$ 19,758 |
| Long-term debt and capital lease obligations | 516,012 | 550,510 |
| Total book value of debt instruments | 537,681 | 570,268 |
| Fair value of debt instruments | 541,599 | 574,008 |
| Excess of fair value over book value | \$ 3,918 | \$ 3,740 |

The estimated fair value of debt is based on market quotes for instruments with similar terms and remaining maturities (level 2 valuation techniques).

ASC 820 prioritizes the inputs to valuation techniques used to measure fair value into the following hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability, reflecting the reporting entity's own assumptions about the assumptions that market participants would use in pricing.

Long-lived assets are measured at fair value on a nonrecurring basis using Level 3 inputs as defined in the fair value hierarchy. Assets with a book value of \$5.6 million and \$0.9 million were measured at fair value of \$3.2 million and \$0.0 million, respectively, in the 28 weeks ended July 18, 2015 and July 12, 2014, respectively. Our accounting and finance team management, which report to the chief financial officer, determine our valuation policies and procedures. The development and determination of the unobservable inputs for level 3 fair value measurements and fair value calculations are the responsibility of our accounting and finance team management and are approved by the chief financial officer. Fair value of long-lived assets is determined by estimating the amount and timing of net future cash flows, discounted using a risk-adjusted rate of interest. SpartanNash estimates future cash flows based on experience and knowledge of the market in which the assets are located, and when necessary, uses real estate brokers. See Note 5 for discussion of long-lived asset impairment charges.

Note 8 Commitments and Contingencies

We are engaged from time-to-time in routine legal proceedings incidental to our business. We do not believe that these routine legal proceedings, taken as a whole, will have a material impact on our business or financial condition. While the ultimate effect of such actions cannot be predicted with certainty, management believes that their outcome will not result in a material adverse effect on the consolidated financial position, operating results or liquidity of SpartanNash.

SpartanNash contributes to the Central States multi-employer pension plan based on obligations arising from its collective bargaining agreements in Bellefontaine, Ohio, Lima, Ohio, and Grand Rapids, Michigan covering its distribution center union associates at those locations. This plan provides retirement benefits to participants based on their service to contributing employers. The benefits are paid from assets held in trust for that purpose. Trustees are appointed by contributing employers and unions; however, SpartanNash is not a trustee. The trustees typically are responsible for determining the level of benefits to be provided to participants, as well as for such matters as the investment of the assets and the administration of the plan. SpartanNash currently contributes to the Central States, Southeast and Southwest Areas Pension Fund under the terms outlined in the "Primary Schedule" of Central States' Rehabilitation Plan. This schedule requires varying increases in employer contributions over the previous year's contribution. Increases are set within the collective bargaining agreement and vary by location. On December 13, 2014, Congress passed the Multiemployer Pension Reform Act of 2014 ("MPRA"). The MPRA is intended to address funding shortfalls in both multiemployer pension plans and the Pension Benefit Guaranty Corporation. Because the MPRA is a complex piece of legislation, its effects on the Plan and potential implications for the Company are not known at this time. Any adjustment for withdrawal liability will be recorded when it is probable that a liability exists and can be reasonably determined.

Based on the most recent information available to SpartanNash, management believes that the present value of actuarial accrued liabilities in this multi-employer plan significantly exceeds the value of the assets held in trust to pay benefits. Because SpartanNash is one of a number of employers contributing to this plan, it is difficult to ascertain what the exact amount of the underfunding would be, although management anticipates that SpartanNash's

contributions to this plan will increase each year. Management is not aware of any significant change in funding levels since January 3, 2015. To reduce this underfunding, management expects meaningful increases in expense as a result of required incremental multi-employer pension plan contributions in future years. Any adjustment for withdrawal liability will be recorded when it is probable that a liability exists and can be reasonably determined (see Note 9 to the Condensed Consolidated Financial Statements).

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Note 9 Associate Retirement Plans

The following table provides the components of net periodic pension and postretirement benefit costs for the 12 weeks and 28 weeks ended July 18, 2015 and July 12, 2014:

| (In thousands) 12 Weeks Ended | July 18, 2015 | | July 12, 2014 | |
|----------------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| | Combined Cash | | | |
| | SpartanNash Pension Plan | SpartanNash Pension Plan | Cash Balance Pension Plan | Super Foods Pension Plan |
| Interest cost | \$ 767 | \$ 1,018 | \$ 557 | \$ 461 |
| Expected return on plan assets | (1,136) | (1,400) | (868) | (532) |
| Recognized actuarial net loss | 191 | 228 | 228 | — |
| Net periodic benefit | \$ (178) | \$ (154) | \$ (83) | \$ (71) |
| Settlement expense | 131 | 522 | 522 | — |
| Total expense (income) | \$ (47) | \$ 368 | \$ 439 | \$ (71) |

| (In thousands) 12 Weeks Ended | SERP | | Spartan Stores Medical Plan | |
|------------------------------------|---------------|---------------|-----------------------------|---------------|
| | July 18, 2015 | July 12, 2014 | July 18, 2015 | July 12, 2014 |
| Service cost | \$ — | \$ — | \$ 53 | \$ 43 |
| Interest cost | 7 | 8 | 93 | 91 |
| Amortization of prior service cost | — | — | (36) | (37) |
| Recognized actuarial net loss | 10 | 7 | 40 | 5 |
| Net periodic benefit | \$ 17 | \$ 15 | \$ 150 | \$ 102 |

*The amounts above reflect the combined values of the Cash Balance and Super Foods Pension Plans as of July 12, 2014.

| (In thousands) 28 Weeks Ended | July 18, 2015 | | July 12, 2014 | |
|----------------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| | Combined Cash | | | |
| | SpartanNash Pension Plan | SpartanNash Pension Plan | Cash Balance Pension Plan | Super Foods Pension Plan |
| Interest cost | \$ 1,791 | \$ 2,373 | \$ 1,298 | \$ 1,075 |
| Expected return on plan assets | (2,651) | (3,265) | (2,024) | (1,241) |
| Recognized actuarial net loss | 445 | 533 | 533 | - |
| Net periodic benefit | \$ (415) | \$ (359) | \$ (193) | \$ (166) |
| Settlement expense | 306 | 522 | 522 | - |
| Total expense (income) | \$ (109) | \$ 163 | \$ 329 | \$ (166) |

| (In thousands) 28 Weeks Ended | SERP | | Spartan Stores Medical Plan | |
|----------------------------------|---------------|---------------|-----------------------------|---------------|
| | July 18, 2015 | July 12, 2014 | July 18, 2015 | July 12, 2014 |
| Service cost | \$ - | \$ - | \$ 124 | \$ 100 |
| Interest cost | 17 | 19 | 218 | 212 |

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| | | | | |
|------------------------------------|-------|-------|--------|--------|
| Amortization of prior service cost | - | - | (85) | (85) |
| Recognized actuarial net loss | 22 | 16 | 93 | 11 |
| Net periodic benefit | \$ 39 | \$ 35 | \$ 350 | \$ 238 |

On December 31, 2014, the Super Foods Plan was merged into the Cash Balance Pension Plan which was renamed the SpartanNash Company Pension Plan. The Company made contributions of \$0.7 million to the SpartanNash Company Pension Plan during the 28 weeks ended July 18, 2015. This amount was determined based on 2014 plan year funding valuation results of the legacy Super Foods Plan. The Company does not expect to make any additional contributions for the fiscal year ending January 2, 2016.

As previously stated in Note 8, SpartanNash contributes to the Central States Southeast and Southwest Areas Pension Fund (“Fund”) (EIN 7456500) under the terms of the existing collective bargaining agreements and in the amounts set forth in the related collective bargaining agreements. SpartanNash employer contributions during the fiscal year ended January 3, 2015 totaled \$12.9 million, which Fund administrators represent is less than 5% of total employer contributions to the Fund. SpartanNash’s employer contributions for the 28 weeks ended July 18, 2015 and July 12, 2014 were \$7.4 million and \$7.3 million, respectively. Based on the most recent information available to SpartanNash, management believes that the present value of actuarial accrued liabilities in this multi-employer plan significantly exceeds the value of the assets held in trust to pay benefits. Because SpartanNash is one of a number of employers contributing to this plan, it is difficult to ascertain what the exact amount of the underfunding would be, although management anticipates that SpartanNash’s contributions to this plan will increase each year. On December 13, 2014, Congress passed the Multiemployer Pension Reform Act of 2014 (“MPRA”). The MPRA is intended to address funding shortfalls in both multiemployer pension plans and the Pension Benefit Guaranty Corporation. Because the MPRA is a complex piece of legislation, its effects on the Plan and potential implications for the Company are not known at this time. Any adjustment for withdrawal liability will be recorded when it is probable that a liability exists and can be reasonably determined.

Note 10 Other Comprehensive Income or Loss

SpartanNash reports comprehensive income or loss in accordance with ASU 2012-13, “Comprehensive Income,” in the financial statements. Total comprehensive income is defined as all changes in shareholders’ equity during a period, other than those resulting from investments by and distributions to shareholders. Generally, for SpartanNash, total comprehensive income equals net earnings plus or minus adjustments for pension and other postretirement benefits.

While total comprehensive income is the activity in a period and is largely driven by net earnings in that period, accumulated other comprehensive income or loss (“AOCI”) represents the cumulative balance of other comprehensive income, net of tax, as of the balance sheet date. For SpartanNash, AOCI is the cumulative balance related to pension and other postretirement benefits.

During the 12 week periods ended July 18, 2015 and July 12, 2014, \$0.1 million was reclassified from AOCI to the Condensed Consolidated Statement of Earnings, of which \$0.2 million increased selling, general and administrative expenses and \$0.1 million reduced income taxes. During the 28 week periods ended July 18, 2015 and July 12, 2014, \$0.3 million was reclassified from AOCI to the Condensed Consolidated Statement of Earnings, of which \$0.5 million increased selling, general and administrative expenses and \$0.2 million reduced income taxes.

Note 11 Income Taxes

The effective income tax rate was 36.4% and 36.0% for the 12 weeks ended July 18, 2015 and July 12, 2014, respectively. For the 28 weeks ended July 18, 2015 and July 12, 2014, the effective income tax rate was 37.3% and 36.7%, respectively. The differences from the Federal statutory rate in the current and prior year periods are primarily due to state income taxes.

Note 12 Share Based Compensation

SpartanNash has two shareholder-approved stock incentive plans that provide for the granting of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, stock awards,

and other stock-based awards to directors, officers and other key associates.

SpartanNash accounts for share-based compensation awards in accordance with the provisions of ASC Topic 718 which requires that share-based payment transactions be accounted for using a fair value method and the related compensation cost recognized in the financial statements over the period that an employee is required to provide services in exchange for the award. SpartanNash recognized share-based compensation expense (net of tax) of \$0.6 million (\$0.01 per diluted share) and \$0.7 million (\$0.02 per diluted share) for the 12 weeks ended July 18, 2015 and July 12, 2014, respectively, as a component of Operating expenses and Income taxes in the Condensed Consolidated Statements of Earnings. Share-based compensation expense (net of tax) was \$3.5 million (\$0.09 per diluted share) and \$3.1 million (\$0.08 per diluted share) for the 28 weeks ended July 18, 2015 and July 12, 2014, respectively.

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The following table summarizes activity in the share-based compensation plans for the 28 weeks ended July 18, 2015:

| | Shares Under Options | Weighted Average Exercise Price | Restricted Stock Awards | Weighted Average Grant-Date Fair Value |
|--|----------------------|---------------------------------|-------------------------|--|
| Outstanding at January 3, 2015 | 494,483 | \$ 20.61 | 600,653 | 23.08 |
| Granted | — | — | 312,050 | 26.56 |
| Exercised/Vested | (109,401) | 21.95 | (265,737) | 19.30 |
| Cancelled/Forfeited | (63) | 11.50 | (7,890) | 21.98 |
| Outstanding at July 18, 2015 | 385,019 | \$ 20.23 | 639,076 | 24.73 |
| Vested and expected to vest in the future at | | | | |
| July 18, 2015 | 385,019 | \$ 20.23 | | |
| Exercisable at July 18, 2015 | 385,019 | \$ 20.23 | | |

There were no stock options granted during the 28 weeks ended July 18, 2015 and July 12, 2014.

As of July 18, 2015, total unrecognized compensation cost related to non-vested share-based awards granted under our stock incentive plans was \$7.2 million for restricted stock. The remaining compensation costs not yet recognized are expected to be recognized over a weighted average period of 2.7 years for restricted stock. All compensation costs related to stock options have been recognized.

Note 13 Discontinued Operations

Results of the discontinued operations are excluded from the accompanying notes to the consolidated financial statements for all periods presented, unless otherwise noted.

In connection with the asset purchase of Bo's on June 2, 2015, the acquisition met the held-for-sale criteria and represents a business that, on acquisition, is a discontinued operation. The Company intends to sell the stores to an independent distribution customer within the 12-month period following the acquisition. Inventories and equipment of \$3.3 million and \$0.1 million, respectively, which were measured at fair value less estimated costs to sell at the time of acquisition, are classified as held for sale in the Condensed Consolidated Balance Sheets as of July 18, 2015. The Bo's discontinued operation is reported under the Retail segment with operating results and cash flows reported as discontinued operations in the Condensed Consolidated Financial Statements.

There were no additional operations that were reclassified to discontinued operations during the 28 weeks ended July 18, 2015.

Note 14 Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share for continuing operations:

| (In thousands, except per share amounts) | 12 Weeks Ended | | 28 Weeks Ended | |
|--|------------------|------------------|------------------|------------------|
| | July 18, 2015 | July 12, 2014 | July 18, 2015 | July 12, 2014 |
| Numerator: | | | | |
| Earnings from continuing operations | \$ 20,307 | \$ 17,395 | \$ 30,754 | \$ 29,914 |
| Adjustment for earnings attributable to participating securities | (350) | (296) | (546) | (535) |
| Earnings from continuing operations used in calculating earnings per share | \$ 19,957 | \$ 17,099 | \$ 30,208 | \$ 29,379 |
| Denominator: | | | | |
| Weighted average shares outstanding, including participating securities | 37,584 | 37,744 | 37,644 | 37,662 |
| Adjustment for participating securities | (648) | (642) | (668) | (673) |
| Shares used in calculating basic earnings per share | 36,936 | 37,102 | 36,976 | 36,989 |
| Effect of dilutive stock options | 126 | 66 | 126 | 76 |
| Shares used in calculating diluted earnings per share | 37,062 | 37,168 | 37,102 | 37,065 |
| Basic earnings per share from continuing operations | \$ 0.54 | \$ 0.46 | \$ 0.82 | \$ 0.79 |
| Diluted earnings per share from continuing operations | \$ 0.54 | \$ 0.46 | \$ 0.81 | \$ 0.79 |

Note 15 Supplemental Cash Flow Information

Non-cash financing activities include the issuance of restricted stock to employees and directors of \$8.3 million and \$7.0 million for the 28 weeks ended July 18, 2015 and July 12, 2014, respectively. Non-cash investing activities include capital expenditures included in accounts payable of \$2.3 million and \$3.8 million for the 28 weeks ended July 18, 2015 and July 12, 2014, respectively.

Note 16 Operating Segment Information

The following tables set forth information about SpartanNash by operating segment:

| (In thousands) | Military | Food Distribution | Retail | Total |
|---|-----------|----------------------|-----------|-------------|
| 12 Week Period Ended July 18, 2015 | | | | |
| Net sales to external customers | \$497,047 | \$782,743 | \$516,074 | \$1,795,864 |
| Inter-segment sales | — | 229,087 | — | 229,087 |
| Merger integration and acquisition expenses | — | (1,151) | 1,302 | 151 |
| Depreciation and amortization | 2,810 | 6,169 | 10,474 | 19,453 |
| Operating earnings | 3,895 | 19,406 | 13,493 | 36,794 |
| Capital expenditures | 1,795 | 5,542 | 17,125 | 24,462 |

| (In thousands) | Military | Food Distribution | Retail | Total |
|---|-----------|----------------------|-----------|-------------|
| 12 Week Period Ended July 12, 2014 | | | | |
| Net sales to external customers | \$502,402 | \$767,926 | \$539,847 | \$1,810,175 |
| Inter-segment sales | — | 243,866 | — | 243,866 |
| Merger integration and acquisition expenses | 24 | 2,554 | 3 | 2,581 |
| Depreciation and amortization | 1,552 | 7,155 | 10,710 | 19,417 |
| Operating earnings | 5,884 | 10,670 | 16,095 | 32,649 |
| Capital expenditures | 2,653 | 3,423 | 8,705 | 14,781 |

| (In thousands) | Military | Food Distribution | Retail | Total |
|---|-------------|----------------------|-------------|-------------|
| 28 Week Period Ended July 18, 2015 | | | | |
| Net sales to external customers | \$1,196,441 | \$1,769,178 | \$1,142,928 | \$4,108,547 |
| Inter-segment sales | — | 510,362 | — | 510,362 |
| Merger integration and acquisition expenses | — | 1,036 | 1,799 | 2,835 |
| Depreciation and amortization | 6,543 | 14,705 | 23,990 | 45,238 |
| Operating earnings | 10,053 | 39,655 | 10,939 | 60,647 |
| Capital expenditures | 2,379 | 9,095 | 25,712 | 37,186 |

| (In thousands) | Military | Food Distribution | Retail | Total |
|---|-------------|----------------------|-------------|-------------|
| 28 Week Period Ended July 12, 2014 | | | | |
| Net sales to external customers | \$1,186,569 | \$1,738,928 | \$1,218,405 | \$4,143,902 |
| Inter-segment sales | — | 555,682 | — | 555,682 |
| Merger integration and acquisition expenses | 24 | 6,722 | 3 | 6,749 |
| Depreciation and amortization | 5,829 | 16,174 | 24,967 | 46,970 |
| Operating earnings | 10,305 | 24,879 | 25,043 | 60,227 |
| Capital expenditures | 12,848 | 9,990 | 14,782 | 37,620 |

| (In thousands) | July 18, 2015 | January 3, 2015 |
|----------------|------------------|--------------------|
| Total Assets | | |

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| | | |
|-------------------------|-------------|-------------|
| Military | \$433,613 | \$435,647 |
| Food Distribution | 745,094 | 763,914 |
| Retail | 735,498 | 727,979 |
| Discontinued operations | 18,787 | 4,742 |
| Total | \$1,932,992 | \$1,932,282 |

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The following table presents sales by type of similar product and services:

| (Dollars in thousands) | 12 Weeks Ended | | | | 28 Weeks Ended | | | |
|--------------------------------|----------------|--------|---------------|--------|----------------|--------|---------------|--------|
| | July 18, 2015 | | July 12, 2014 | | July 18, 2015 | | July 12, 2014 | |
| Non-perishables ⁽¹⁾ | \$1,122,910 | 62.5 % | \$1,131,903 | 62.5 % | \$2,595,622 | 63.1 % | \$2,606,963 | 62.9 % |
| Perishables ⁽²⁾ | 570,921 | 31.8 % | 566,828 | 31.3 % | 1,283,954 | 31.3 % | 1,285,832 | 31.0 % |
| Pharmacy | 69,118 | 3.9 % | 65,033 | 3.6 % | 161,157 | 3.9 % | 149,726 | 3.6 % |
| Fuel | 32,915 | 1.8 % | 46,411 | 2.6 % | 67,814 | 1.7 % | 101,381 | 2.5 % |
| Consolidated net sales | \$1,795,864 | 100.0% | \$1,810,175 | 100.0% | \$4,108,547 | 100.0% | \$4,143,902 | 100.0% |

⁽¹⁾ Consists primarily of general merchandise, grocery, beverages, snacks, tobacco products and frozen foods.

⁽²⁾ Consists primarily of produce, dairy, meat, bakery, deli, floral and seafood.

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

Executive Overview

SpartanNash Company is headquartered in Grand Rapids, Michigan. Our business consists of three primary operating segments: Military, Food Distribution and Retail. We are a leading multi-regional grocery distributor and grocery retailer and the largest distributor, by revenue, of grocery products to military commissaries and exchanges in the United States.

Our Military segment contracts with manufacturers to distribute a wide variety of grocery products primarily to military commissaries and exchanges located in the United States, the District of Columbia, Europe, Cuba, Puerto Rico, Bahrain and Egypt. We have over 40 years of experience acting as a distributor to U.S. military commissaries and exchanges.

Our Food Distribution segment provides a wide variety of nationally branded and private label grocery products and perishable food products, including dry groceries, produce, dairy products, meat, deli, bakery, frozen food, seafood, floral products, general merchandise, pharmacy and health and beauty care. We provide a variation of these products from 12 distribution centers to approximately 2,100 independent retail locations and 165 corporate-owned retail stores. Our Food Distribution segment currently conducts business in 46 states, primarily in the Midwest, Great Lakes, and Southeast regions of the United States. We also service a large national retailer with certain product classes. Food Distribution sales are made to more than 12,100 retail locations for this customer.

Our Retail segment operates 165 supermarkets in the Midwest and Great Lakes which operate primarily under the banners of Family Fare Supermarkets, Family Fresh Markets, D&W Fresh Markets, and Econofoods. On June 16, 2015, SpartanNash acquired six supermarkets from Dan's Super Market, Inc. ("Dan's") in Bismarck and Mandan, North Dakota. Our retail supermarkets typically offer dry groceries, produce, dairy products, meat, frozen food, seafood, floral products, general merchandise, beverages, tobacco products, health and beauty care products, delicatessen items and bakery goods. We offer pharmacy services in 79 of our supermarkets and we operate 29 fuel centers. Our retail supermarkets have a "neighborhood market" focus to distinguish them from supercenters and limited assortment stores.

Typically, all fiscal quarters are 12 weeks, except for our first quarter, which is 16 weeks and will generally include the Easter holiday. Our fourth quarter includes the Thanksgiving and Christmas holidays. Fiscal 2014 was comprised of 53 weeks. As a result, the fourth quarter of fiscal 2014 consisted of 13 weeks.

The following table sets forth items from our Condensed Consolidated Statements of Earnings as a percentage of net sales and the year-to-year percentage change in the dollar amounts:

| | Percentage of Net Sales | | | | Percentage Change | |
|--|-------------------------|-------|----------|-------|-------------------|----------|
| | 12 Weeks | | 28 Weeks | | 12 | 28 |
| | Ended | Ended | Ended | Ended | Weeks | Weeks |
| | July | July | July | July | July 18, | July 18, |
| (Unaudited) | 18, | 12, | 18, | 12, | 2015 | 2015 |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2015 |
| Net sales | 100.0 | 100.0 | 100.0 | 100.0 | (0.8) | (0.9) |
| Gross profit | 14.6 | 14.6 | 14.6 | 14.8 | (1.2) | (2.3) |
| Merger integration and acquisition | 0.0 | 0.1 | 0.1 | 0.2 | ** | ** |
| Selling, general and administrative expenses | 12.6 | 12.6 | 12.8 | 13.2 | * (1.5) | (3.0) |

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| | | | | | | |
|--|--------|--------|---------|--------|---------|---------|
| Restructuring (gains) charges and asset impairment | (0.0) | 0.1 | 0.2 | 0.0 | ** | ** |
| Operating earnings | 2.0 | 1.8 | 1.5 | 1.4 | 12.7 | 0.7 |
| Other income and expenses | 0.2 | * 0.3 | 0.3 | 0.3 | (11.1) | (10.5) |
| Earnings before income taxes and discontinued operations | 1.8 | 1.5 | 1.2 | 1.1 | 17.5 | 3.8 |
| Income taxes | 0.7 | * 0.5 | 0.5 | * 0.4 | 18.8 | 5.4 |
| Earnings from continuing operations | 1.1 | 1.0 | 0.7 | 0.7 | 16.7 | 2.8 |
| Loss from discontinued operations, net of taxes | (0.0) | (0.0) | (0.0)* | (0.0) | ** | ** |
| Net earnings | 1.1 | 1.0 | 0.7 | 0.7 | 17.0 | 3.2 |

*Difference due to rounding

**Not meaningful

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Adjusted Operating Earnings

Adjusted operating earnings is a non-GAAP operating financial measure that the Company defines as operating earnings plus or minus adjustments for items that do not reflect the ongoing operating activities of the Company and costs associated with the closing of operational locations.

The Company believes that adjusted operating earnings provide a meaningful representation of its operating performance for the Company. The Company considers adjusted operating earnings as an additional way to measure operating performance on an ongoing basis. Adjusted operating earnings is meant to reflect the ongoing operating performance of all of its distribution and retail operations; consequently, it excludes the impact of items that could be considered “non-operating” or “non-core” in nature, and also excludes the contributions of activities classified as discontinued operations. Because adjusted operating earnings is a performance measure that management uses to allocate resources, assess performance against its peers and evaluate overall performance, the Company believes it provides useful information for investors. In addition, securities analysts, fund managers and other shareholders and stakeholders that communicate with the Company request its operating financial results in adjusted operating earnings format.

Adjusted operating earnings is not a measure of performance under accounting principles generally accepted in the United States of America, and should not be considered as a substitute for operating earnings, cash flows from operating activities and other income or cash flow statement data. The Company’s definition of adjusted operating earnings may not be identical to similarly titled measures reported by other companies.

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Following is an unaudited reconciliation of operating earnings to adjusted operating earnings for the twelve and twenty-eight weeks ended July 18, 2015 and July 12, 2014.

| (Unaudited) | 12 Weeks Ended | | 28 Weeks Ended | |
|---|------------------|------------------|------------------|------------------|
| | July 18, 2015 | July 12, 2014 | July 18, 2015 | July 12, 2014 |
| (In thousands) | | | | |
| Operating earnings | \$36,794 | \$32,649 | \$60,647 | \$60,227 |
| Adjustments: | | | | |
| Merger integration and acquisition | 151 | 2,581 | 2,835 | 6,749 |
| Restructuring (gains) charges and asset impairment | (336) | 1,078 | 7,002 | 1,205 |
| Fees and expenses related to tax planning strategies | 569 | — | 569 | — |
| Adjusted operating earnings | \$37,178 | \$36,308 | \$71,053 | \$68,181 |
| Reconciliation of operating earnings to adjusted operating earnings by segment: | | | | |
| Military: | | | | |
| Operating earnings | \$3,895 | \$5,884 | \$10,053 | \$10,305 |
| Adjustments: | | | | |
| Merger integration and acquisition | — | 24 | — | 24 |
| Fees and expenses related to tax planning strategies | 75 | — | 75 | — |
| Adjusted operating earnings | \$3,970 | \$5,908 | \$10,128 | \$10,329 |
| Food Distribution: | | | | |
| Operating earnings | \$19,406 | \$10,670 | \$39,655 | \$24,879 |
| Adjustments: | | | | |
| Merger integration and acquisition | (1,151) | 2,554 | 1,036 | 6,722 |
| Restructuring charges (gains) and asset impairment | 3 | 307 | (278) | 1,029 |
| Fees and expenses related to tax planning strategies | 282 | — | 282 | — |
| Adjusted operating earnings | \$18,540 | \$13,531 | \$40,695 | \$32,630 |
| Retail: | | | | |
| Operating earnings | \$13,493 | \$16,095 | \$10,939 | \$25,043 |
| Adjustments: | | | | |
| Merger integration and acquisition | 1,302 | 3 | 1,799 | 3 |
| Restructuring (gains) charges and asset impairment | (339) | 771 | 7,280 | 176 |
| Fees and expenses related to tax planning strategies | 212 | — | 212 | — |
| Adjusted operating earnings | \$14,668 | \$16,869 | \$20,230 | \$25,222 |

Adjusted earnings from Continuing Operations

Adjusted earnings from continuing operations is a non-GAAP operating financial measure that we define as earnings from continuing operations plus or minus adjustments for items that do not reflect the ongoing operating activities of the Company and costs associated with the closing of operational locations.

We believe that adjusted earnings from continuing operations provide a meaningful representation of our operating performance for the Company. We consider adjusted earnings from continuing operations as an additional way to measure operating performance on an ongoing basis. Adjusted earnings from continuing operations is meant to reflect the ongoing operating performance of all of our distribution and retail operations; consequently, it excludes the impact of items that could be considered “non-operating” or “non-core” in nature, and also excludes the contributions of activities classified as discontinued operations. We believe that adjusted earnings from continuing operations provides useful information for our investors because it is a performance measure that management uses to allocate resources, assess performance against its peers and evaluate overall performance. In addition, securities analysts, fund managers and

other shareholders and stakeholders that communicate with us request our operating financial results in adjusted earnings from continuing operations format.

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Adjusted earnings from continuing operations is not a measure of performance under accounting principles generally accepted in the United States of America, and should not be considered as a substitute for net earnings, cash flows from operating activities and other income or cash flow statement data. Our definition of adjusted earnings from continuing operations may not be identical to similarly titled measures reported by other companies.

Following is an unaudited reconciliation of earnings from continuing operations to adjusted earnings from continuing operations for the twelve and twenty-eight weeks ended July 18, 2015 and July 12, 2014.

| | 12 Weeks Ended | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | July 18, 2015 | | July 12, 2014 | |
| | Earnings from | | Earnings from | |
| | Earnings from | continuing operations | Earnings from | continuing operations |
| (Unaudited) | continuing operations | per diluted share | continuing operations | per diluted share |
| (In thousands, except per share data) | operations | share | operations | share |
| Earnings from continuing operations | \$20,307 | \$ 0.54 | \$17,395 | \$ 0.46 |
| Adjustments, net of taxes: | | | | |
| Merger integration and acquisition | 96 | 0.00 | 1,593 | 0.04 |
| Restructuring (gains) charges and asset impairment | (192) | 0.00 | * 665 | 0.02 |
| Tax planning strategies, net of fees and expenses | (382) | (0.01) | — | — |
| Favorable settlement of unrecognized tax liability | — | — | (595) | (0.02) |
| Adjusted earnings from continuing operations | \$19,829 | \$ 0.53 | \$19,058 | \$ 0.50 |
| * Includes rounding | | | | |
| | 28 Weeks Ended | | | |
| | July 18, 2015 | | July 12, 2014 | |
| | Earnings from | | Earnings from | |
| | Earnings from | continuing operations | Earnings from | continuing operations |
| (Unaudited) | continuing operations | per diluted share | continuing operations | per diluted share |
| (In thousands, except per share data) | operations | share | operations | share |
| Earnings from continuing operations | \$30,754 | \$ 0.81 | \$29,914 | \$ 0.79 |
| Adjustments, net of taxes: | | | | |
| Merger integration and acquisition | 1,735 | 0.05 | 4,186 | 0.11 |
| Restructuring and asset impairment charges | 4,285 | 0.11 | 747 | 0.02 |
| Tax planning strategies, net of fees and expenses | (382) | (0.01) | — | — |
| Favorable settlement of unrecognized tax liability | — | — | (595) | (0.01)* |
| Adjusted earnings from continuing operations | \$36,392 | \$ 0.96 | \$34,252 | \$ 0.91 |
| * Includes rounding | | | | |

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP operating financial measure that we define as operating earnings plus depreciation and amortization, and other non-cash items including deferred (stock) compensation, the LIFO provision, as well as adjustments for unusual items that do not reflect the ongoing operating activities of the Company and costs associated with the closing of operational locations.

We believe that adjusted EBITDA provides a meaningful representation of our operating performance for the Company as a whole and for our operating segments. We consider adjusted EBITDA as an additional way to measure

operating performance on an ongoing basis. Adjusted EBITDA is meant to reflect the ongoing operating performance of all of our distribution and retail operations; consequently, it excludes the impact of items that could be considered “non-operating” or “non-core” in nature, and also excludes the contributions of activities classified as discontinued operations. Because adjusted EBITDA and adjusted EBITDA by segment are performance measures that management uses to allocate resources, assess performance against its peers, and evaluate overall performance, we believe it provides useful information for our investors. In addition, securities analysts, fund managers and other shareholders and stakeholders that communicate with us request our operating financial results in adjusted EBITDA format.

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Adjusted EBITDA is not a measure of performance under accounting principles generally accepted in the United States of America, and should not be considered as a substitute for net earnings, cash flows from operating activities and other income or cash flow statement data. Our definition of adjusted EBITDA may not be identical to similarly titled measures reported by other companies.

Following is an unaudited reconciliation of operating earnings to adjusted EBITDA for the twelve and twenty-eight weeks ended July 18, 2015 and July 12, 2014.

| (Unaudited) | 12 Weeks Ended | | 28 Weeks Ended | |
|--|----------------|----------|----------------|-----------|
| (In thousands) | July | July | July | July |
| | 18, 2015 | 12, 2014 | 18, 2015 | 12, 2014 |
| Operating earnings | \$36,794 | \$32,649 | \$60,647 | \$60,227 |
| Adjustments: | | | | |
| LIFO expense | 1,294 | 1,555 | 3,017 | 3,527 |
| Depreciation and amortization | 19,453 | 19,417 | 45,238 | 46,970 |
| Restructuring (gains) charges and asset impairment | (336) | 1,078 | 7,002 | 1,205 |
| Merger integration and acquisition | 151 | 2,581 | 2,835 | 6,749 |
| Fees and expenses related to tax planning strategies | 569 | — | 569 | — |
| Stock based compensation | 909 | 1,135 | 5,662 | 5,064 |
| Other non-cash gains | (285) | (135) | (532) | (550) |
| Adjusted EBITDA | \$58,549 | \$58,280 | \$124,438 | \$123,192 |

Reconciliation of operating earnings to adjusted EBITDA by segment:

| | | | | |
|--|----------|----------|----------|----------|
| Military: | | | | |
| Operating earnings | \$3,895 | \$5,884 | \$10,053 | \$10,305 |
| Adjustments: | | | | |
| LIFO expense | 291 | 362 | 679 | 833 |
| Depreciation and amortization | 2,810 | 1,552 | 6,543 | 5,829 |
| Merger integration and acquisition | — | 24 | — | 24 |
| Fees and expenses related to tax planning strategies | 75 | — | 75 | — |
| Stock based compensation | 150 | 106 | 854 | 416 |
| Other non-cash charges (gains) | 6 | (64) | 103 | (59) |
| Adjusted EBITDA | \$7,227 | \$7,864 | \$18,307 | \$17,348 |
| Food Distribution: | | | | |
| Operating earnings | \$19,406 | \$10,670 | \$39,655 | \$24,879 |
| Adjustments: | | | | |
| LIFO expense | 669 | 795 | 1,559 | 1,757 |
| Depreciation and amortization | 6,169 | 7,155 | 14,705 | 16,174 |
| Restructuring charges (gains) and asset impairment | 3 | 307 | (278) | 1,029 |
| Merger integration and acquisition | (1,151) | 2,554 | 1,036 | 6,722 |
| Fees and expenses related to tax planning strategies | 282 | — | 282 | — |
| Stock based compensation | 399 | 488 | 2,629 | 2,399 |
| Other non-cash charges | 6 | 158 | 41 | 80 |
| Adjusted EBITDA | \$25,783 | \$22,127 | \$59,629 | \$53,040 |
| Retail: | | | | |
| Operating earnings | \$13,493 | \$16,095 | \$10,939 | \$25,043 |
| Adjustments: | | | | |
| LIFO expense | 334 | 398 | 779 | 937 |
| Depreciation and amortization | 10,474 | 10,710 | 23,990 | 24,967 |

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| | | | | |
|--|----------|----------|----------|----------|
| Restructuring (gains) charges and asset impairment | (339) | 771 | 7,280 | 176 |
| Merger integration and acquisition | 1,302 | 3 | 1,799 | 3 |
| Fees and expenses related to tax planning strategies | 212 | — | 212 | — |
| Stock based compensation | 360 | 541 | 2,179 | 2,249 |
| Other non-cash gains | (297) | (229) | (676) | (571) |
| Adjusted EBITDA | \$25,539 | \$28,289 | \$46,502 | \$52,804 |

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Net Sales – Net sales approximated \$1.8 billion in each of the quarters ended July 18, 2015 (“second quarter”) and July 12, 2014 (“prior year second quarter”) as increases in the food distribution segment were offset by the impact of closed stores, a decrease in comparable store sales, significantly lower retail fuel prices compared to the prior year, and lower sales in the military segment. Net sales approximated \$4.1 billion in each of the year-to-date periods ended July 18, 2015 (“year-to-date”) and July 12, 2014 (“prior year-to-date”) primarily due to the impact of our store rationalization plan, significantly lower retail fuel prices and a decrease in comparable store sales, partially offset by increases in the food distribution and military segments.

Net sales for the second quarter in our Military segment decreased \$5.4 million, or 1.1 percent, from \$502.4 million in the prior year second quarter to \$497.0 million. Net sales for the current year-to-date period increased \$9.9 million, or 0.8 percent, from \$1,186.6 million in the prior year-to-date period to \$1,196.4 million. The second quarter decrease was primarily due to lower sales at the DeCA-operated commissaries. The year-to-date increase was primarily due to net new business.

Net sales for the second quarter in our Food Distribution segment, after intercompany eliminations, increased \$14.8 million, or 1.9 percent, from \$767.9 million in the prior year second quarter to \$782.7 million. Net sales for the year-to-date period increased \$30.3 million, or 1.7 percent, from \$1,738.9 million in the prior year-to-date period to \$1,769.2 million. Second quarter and year-to-date increases were primarily due to net new business.

Net sales for the second quarter in our Retail segment decreased \$23.8 million, or 4.4 percent, from \$539.8 million in the prior year second quarter to \$516.1 million. Net sales for the year-to-date period decreased \$75.5 million, or 6.2 percent, from \$1,218.4 million in the prior year-to-date period to \$1,142.9 million. The second quarter decrease was primarily due to \$17.1 million in lower sales due to the closure of retail stores and fuel centers, a 3.2 percent decrease in comparable store sales, excluding fuel, and \$10.6 million due to significantly lower retail fuel prices compared to the prior year, partially offset by sales of \$9.2 million from the recently acquired stores. Comparable store sales reflect increased competition, unseasonably cool weather in the Michigan market compared to the prior year and the continued impact of a low inflationary environment. The year-to-date decrease was primarily due to \$44.9 million in lower sales due to the closure of retail stores and fuel centers, significantly lower retail fuel prices and a 2.1 percent decrease in comparable store sales, excluding fuel. We define a retail store as comparable when it is in operation for 14 periods (a period is four weeks), and we include remodeled, expanded and relocated stores in comparable stores.

Gross Profit – Gross profit represents net sales less cost of sales, which include purchase costs, freight, physical inventory adjustments, markdowns and promotional allowances. Vendor allowances that relate to our buying and merchandising activities consist primarily of promotional allowances, which are generally allowances on purchased quantities and, to a lesser extent, slotting allowances, which are billed to vendors for our merchandising costs, such as setting up warehouse infrastructure. Vendor allowances associated with product cost are recognized as a reduction in cost of sales when the product is sold. Lump sum payments received for multi-year contracts are amortized over the life of the contracts based on contractual terms.

Gross profit for the second quarter decreased \$3.1 million, or 1.2 percent, from \$265.1 million in the prior year second quarter to \$262.0 million. As a percent of net sales, gross profit was 14.6 percent in the second quarter of each year. Gross profit for the current year-to-date period decreased \$14.2 million, or 2.3 percent, from \$612.5 million in the prior year-to-date period to \$598.3 million. As a percent of net sales, gross profit for the current year-to-date period decreased to 14.6 percent from 14.8 percent in the prior year-to-date period. The year-to-date gross profit rate decrease was principally driven by a higher mix of lower margin military and food distribution sales.

Selling, General and Administrative Expenses – Selling, general and administrative (“SG&A”) expenses consist primarily of salaries and wages, employee benefits, warehousing costs, store occupancy costs, shipping and handling, utilities, equipment rental, depreciation and other administrative costs.

SG&A expenses for the second quarter decreased \$3.4 million, or 1.5 percent, from \$228.8 million in the prior year second quarter to \$225.4 million. As a percent of net sales, SG&A expenses were 12.6 percent for the second quarter and prior year second quarter. SG&A expenses for the current year-to-date period decreased \$16.5 million, or 3.0 percent, from \$544.3 million in the prior year-to-date period to \$527.8 million. As a percent of net sales, SG&A expenses were 12.8 percent for the current year-to-date period compared to 13.2 percent in the prior year-to-date period. The second quarter and year-to-date decreases were primarily due to benefits from merger synergies, operational efficiencies, lower health care and the impact of store closures.

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Merger Integration and Acquisition – Merger integration and acquisition expenses for the second quarter decreased \$2.4 million from \$2.6 million in the prior year second quarter to \$0.2 million. The decrease was primarily due to a litigation settlement that resulted in the reduction of previously accrued or paid compensation, partially offset by ongoing merger integration costs and recent acquisitions. Merger integration and acquisition expenses for the current year-to-date period decreased \$3.9 million from \$6.7 million in the prior year-to-date period to \$2.8 million.

Restructuring and Asset Impairment – The second quarter restructuring and asset impairment gains consisted of net gains on the sales of previously closed retail stores. The current year-to-date restructuring and asset impairment charges consisted primarily of charges related to underperforming retail stores and costs related to the closure of retail stores and a distribution center, partially offset by the gains on sales of assets related to a previously closed food distribution center and retail stores and favorable settlements on lease terminations of previously closed stores. Restructuring and asset impairment charges in the prior year second quarter consisted primarily of costs related to closed stores. The prior year-to-date restructuring and asset impairment consisted primarily of asset impairment charges for a retail store and restructuring charges related to the closure of a distribution center, partially offset by gains on sales of assets related to certain closed stores.

Interest Expense – Interest expense for the second quarter decreased \$0.6 million, or 10.6 percent, from \$5.5 million in the prior year second quarter to \$4.9 million. Interest expense for the current year-to-date period decreased \$1.3 million, or 10.1 percent, from \$12.9 million in the prior year-to-date period to \$11.6 million. The decrease in interest expense was primarily due to decreased borrowings and a lower interest rate from the amended senior secured credit agreement. On January 9, 2015, the Company amended its credit agreement which reduced the interest rate.

Income Taxes – The effective income tax rate was 36.4% and 36.0% for the second quarter and the prior year second quarter, respectively. For the current year-to-date period and the prior year-to-date period, the effective income tax rate was 37.3% and 36.7%, respectively. The differences from the Federal statutory rate in the current and prior year were due primarily to state income taxes.

Discontinued Operations

Certain of our retail and food distribution operations have been recorded as discontinued operations. On June 2, 2015, SpartanNash acquired certain assets of Bo's Super Market, Inc. ("Bo's"). Bo's is a twelve-store chain serving southeastern North Carolina and was a customer of the SpartanNash Food Distribution segment prior to the acquisition. SpartanNash acquired the Bo's stores to secure its existing distribution business and intends to sell the stores to an independent distribution customer within the 12-month period following the acquisition. The results of operations are reported as discontinued operations in the condensed consolidated financial statements as the acquired assets meet the criteria to be held for sale at the date of acquisition.

Results of the discontinued operations are excluded from the accompanying notes to the financial statements for all periods presented, unless otherwise noted.

Liquidity and Capital Resources

The following table summarizes our consolidated statements of cash flows:

| (Unaudited) | 28 Weeks Ended | |
|---|----------------|----------|
| | July | July |
| (In thousands) | 18, 2015 | 12, 2014 |
| Cash flows from operating activities | | |
| Net cash provided by operating activities | \$123,355 | \$63,973 |

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| | | |
|--|-----------|-----------|
| Net cash used in investing activities | (54,606) | (36,447) |
| Net cash used in financing activities | (52,725) | (30,136) |
| Net cash used in discontinued operations | (9,382) | (186) |
| Net increase (decrease) in cash and cash equivalents | 6,642 | (2,796) |
| Cash and cash equivalents at beginning of period | 6,443 | 9,216 |
| Cash and cash equivalents at end of period | \$13,085 | \$6,420 |

Net cash provided by operating activities increased from the prior year-to-date period due to the timing of working capital requirements.

Net cash used in investing activities during the current year-to-date period increased \$18.2 million to \$54.6 million from \$36.4 million in the prior year-to-date period. The increase was due to the acquisition of Dan's Super Market, Inc. (see Note 3 to the Condensed Consolidated Financial Statements). Military, Food Distribution and Retail segments utilized 6.4 percent, 24.5 percent and 69.1 percent of capital expenditures, respectively in fiscal 2015.

Net cash used in financing activities during the current year-to-date period resulted primarily from net payments on the revolving credit facility of \$30.5 million, the payment of dividends of \$10.2 million, share repurchases of \$9.0 million and the repayment of other long term debt of \$4.7 million. Net cash used in financing activities in the prior year-to-date period resulted primarily from net payments on the revolving credit facility of \$17.8 million, the payment of dividends of \$9.1 million and the repayment of other long term debt of \$4.2 million. A 12.5 percent increase in the quarterly dividend rate from \$0.12 per share to \$0.135 per share was approved by the Board of Directors and announced on February 25, 2015. Although we expect to continue to pay a quarterly cash dividend, adoption of a dividend policy does not commit the Board of Directors to declare future dividends. Each future dividend will be considered and declared by the Board of Directors at its discretion. Whether the Board of Directors continues to declare dividends and repurchase shares depends on a number of factors, including our future financial condition, anticipated profitability and cash flows and compliance with the terms of our credit facilities. Our current maturities of long-term debt and capital lease obligations at July 18, 2015 are \$21.7 million. Our ability to borrow additional funds is governed by the terms of our credit facilities.

Net cash used in discontinued operations contains the net cash flows of our discontinued operations and consists primarily of the acquisition and operations of Bo's and other facility maintenance expenditures.

Our principal sources of liquidity are cash flows generated from operations and our senior secured credit facility which has maximum available credit of \$1.0 billion. As of July 18, 2015, our senior secured revolving credit facility and senior secured term loan had outstanding borrowings of \$419.7 million. Additional available borrowings under our \$1.0 billion credit facility are based on stipulated advance rates on eligible assets, as defined in the credit agreement. The credit agreement requires that SpartanNash maintain excess availability of 10 percent of the borrowing base as such term is defined in the credit agreement. SpartanNash had excess availability after the 10 percent covenant of \$353.9 million at July 18, 2015. Payment of dividends and repurchases of outstanding shares are permitted, provided that certain levels of excess availability are maintained. The credit facility provides for the issuance of letters of credit, of which \$11.6 million were outstanding as of July 18, 2015. The revolving credit facility matures January 2020, and is secured by substantially all of our assets. We believe that cash generated from operating activities and available borrowings under the credit facility will be sufficient to meet anticipated requirements for working capital, capital expenditures, dividend payments, and senior note debt redemption and debt service obligations for the foreseeable future. However, there can be no assurance that our business will continue to generate cash flow at or above current levels or that we will maintain our ability to borrow under our credit facility.

Our current ratio decreased to 1.76:1.00 at July 18, 2015 from 1.90:1.00 at January 3, 2015 and our investment in working capital decreased to \$383.7 million at July 18, 2015 from \$433.2 million at January 3, 2015. Our net debt to total capital ratio decreased to 0.41:1.00 at July 18, 2015 versus 0.43:1.00 at January 3, 2015.

Total net debt is a non-GAAP financial measure that is defined as long term debt and capital lease obligations plus current maturities of long-term debt and capital lease obligations less cash and cash equivalents. The Company believes investors find the information useful because it reflects the amount of long term debt obligations that are not covered by available cash and temporary investments.

Following is a reconciliation of long-term debt and capital lease obligations to total net long-term debt and capital lease obligations as of July 18, 2015 and January 3, 2015.

| (Unaudited) | July | January |
|--|----------|----------|
| (In thousands) | 18, 2015 | 3, 2015 |
| Current maturities of long-term debt and capital lease obligations | \$21,669 | \$19,758 |
| Long-term debt and capital lease obligations | 516,012 | 550,510 |

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| | | |
|---------------------------|-----------|-----------|
| Total debt | 537,681 | 570,268 |
| Cash and cash equivalents | (13,085) | (6,443) |
| Total net long-term debt | \$524,596 | \$563,825 |

For information on contractual obligations, see our Form 10-K for the fiscal year ended January 3, 2015. At July 18, 2015, there have been no material changes to our significant contractual obligations outside the ordinary course of business.

Ratio of Earnings to Fixed Charges

For purposes of calculating the ratio of earnings to fixed charges under the terms of our Senior Notes, earnings consist of net earnings, as adjusted under the terms of the Senior Notes indenture, plus income tax expense, fixed charges and non-cash charges, less cash payments relating to non-cash charges added back to net earnings in prior periods. Fixed charges consist of interest cost, including capitalized interest, and amortization of debt issue costs. Our ratio of earnings to fixed charges was 9.92:1.00 for the four quarters ended July 18, 2015.

Off-Balance Sheet Arrangements

We have also made certain commercial commitments that extend beyond July 18, 2015. These commitments consist primarily of standby letters of credit of \$11.6 million as of July 18, 2015.

Critical Accounting Policies

This discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts. On an ongoing basis, we evaluate our estimates, including those related to bad debts, inventories, intangible assets, long-lived assets, income taxes, self-insurance reserves, restructuring costs, retirement benefits, stock-based compensation and contingencies and litigation. We base our estimates on historical experience and on various other assumptions and factors that we believe to be reasonable under the circumstances. Based on our ongoing review, we make adjustments we consider appropriate under the facts and circumstances. We have discussed the development, selection and disclosure of these estimates with the Audit Committee. The accompanying condensed consolidated financial statements are prepared using the same critical accounting policies discussed in our Form 10-K for the fiscal year ended January 3, 2015.

Recently Issued Accounting Standards

On April 7, 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-03 “Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs.” ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The new guidance is effective on a retrospective basis for fiscal years beginning after December 15, 2015, and interim periods within those years. Adoption of this standard in fiscal 2016 will retroactively decrease Other long-term assets and Long-term debt. As of July 18, 2015, such amount was approximately \$9.6 million.

On April 10, 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-08 “Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.” ASU 2014-08 changed the criteria for reporting discontinued operations and modified related disclosure requirements. The Company adopted ASU 2014-08 in the first quarter of fiscal 2015. Adoption of ASU 2014-08 did not have a material impact on the Consolidated Financial Statements.

On May 28, 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers,” which provides guidance for revenue recognition. The new guidance contained in the ASU affects any reporting organization that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. On July 9, 2015, the FASB approved a one-year deferral of the effective date of this new guidance, which results in the guidance being

effective for the Company in the first quarter of its fiscal year ending December 29, 2018. Adoption is allowed by either the full retrospective or modified retrospective approach. We are currently in the process of evaluating the impact of adoption of this ASC on our Consolidated Financial Statements.

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

There have been no material changes in market risk of SpartanNash from the information provided under Part II, Item 7A, "Quantitative and Qualitative Disclosure About Market Risk", of the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 2015.

ITEM 4. Controls and Procedures

An evaluation of the effectiveness of the design and operation of SpartanNash's disclosure controls and procedures (as currently defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) was performed as of July 18, 2015 (the "Evaluation Date"). This evaluation was performed under the supervision and with the participation of SpartanNash's management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). SpartanNash's management, including the CEO and CFO, concluded that SpartanNash's disclosure controls and procedures were effective as of the Evaluation Date to ensure that material information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities and Exchange Act of 1934 is accumulated and communicated to management, including our principal executive and principal financial officers as appropriate to allow for timely decisions regarding required disclosure. During the second quarter there was no change in SpartanNash's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, SpartanNash's internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 1a. Risk Factors

Changes in our vendor base may adversely affect our business.

We source the products we sell from a wide variety of vendors. We generally do not have long-term written contracts with our major suppliers that would require them to continue supplying us with merchandise. We depend on our vendors for, among other things, appropriate allocation of merchandise, assortments of products, operation of vendor-focused shopping experiences within our stores, and funding for various forms of promotional allowances. There has been significant consolidation in the food industry, and this consolidation may continue to our commercial disadvantage. Such changes could have a material adverse impact on our revenues and profitability.

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

The following table provides information regarding SpartanNash's purchases of its own common stock during the 12 week period ended July 18, 2015. On May 17, 2011, the Board of Directors authorized a five-year share repurchase program for up to \$50 million of SpartanNash's common stock. The approximate dollar value of shares that may yet be purchased under the repurchase plan was \$12.3 million as of July 18, 2015. All employee transactions are under associate stock compensation plans. These may include: (1) shares of SpartanNash common stock delivered in satisfaction of the exercise price and/or tax withholding obligations by holders of employee stock options who exercised options, and (2) shares submitted for cancellation to satisfy tax withholding obligations that occur upon the vesting of the restricted shares. The value of the shares delivered or withheld is determined by the applicable stock compensation plan.

SpartanNash Purchases of Equity Securities

| Period | Total Number of Shares Purchased | Average Price Paid per Share |
|-------------------------|---|------------------------------------|
| April 26 – May 23, 2015 | | |
| Employee Transactions | 62,887 | \$ 30.82 |
| Repurchase Program | 92,400 | \$ 31.95 |
| May 24 – June 20, 2015 | | |
| Employee Transactions | — | \$ — |
| Repurchase Program | 88,700 | \$ 31.70 |
| June 21 – July 18, 2015 | | |
| Employee Transactions | — | \$ — |

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| | | |
|---------------------------------------|---------|----------|
| Repurchase Program | 21,863 | \$ 32.28 |
| Total for Quarter ended July 18, 2015 | | |
| Employee Transactions | 62,887 | \$ 30.82 |
| Repurchase Program | 202,963 | \$ 31.88 |

ITEM 6. Exhibits

The following documents are filed as exhibits to this Quarterly Report on Form 10-Q:

| Exhibit Number | Document |
|----------------|---|
| 2.1 | Agreement and Plan of Merger dated July 21, 2013. Previously filed as an exhibit to the Company's Current Report on Form 8-K on July 22, 2013. Here incorporated by reference. |
| 3.1 | Restated Articles of Incorporation of SpartanNash Company, as amended. |
| 3.2 | Bylaws of SpartanNash Company, as amended. Previously filed as an exhibit to Spartan Stores' Quarterly Report on Form 10-Q for the quarter ended September 10, 2011, filed on November 10, 2011. Here incorporated by reference. |
| 4.1 | Indenture dated December 6, 2012 by and among SpartanNash Company, The Bank of New York Mellon Trust Company, N.A., as Trustee, and the Company's subsidiaries as Guarantors. Previously filed as an exhibit to the Company's Current Report on Form 8-K on December 6, 2012. Here incorporated by reference. |
| 4.2 | Form of 6.625% Senior Notes Due 2016. Previously filed as an exhibit to the Company's Current Report on Form 8-K on December 6, 2012. Here incorporated by reference. |
| 10.1 | SpartanNash Company Stock Incentive Plan of 2015. Previously filed as an exhibit to the Company's Current Report on Form 8-K filed on June 3, 2015. Here incorporated by reference. |
| 10.2 | Amended and Restated SpartanNash Company Executive Cash Incentive Plan of 2015. Previously filed as an exhibit to the Company's Current Report on Form 8-K filed on June 3, 2015. Here incorporated by reference. |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |

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.

SPARTANNASH COMPANY

(Registrant)

Date: August 20, 2015 By /s/ David M. Staples
David M. Staples

Executive Vice President and Chief Operating Officer

(Principal Financial Officer and duly

authorized to sign for Registrant)

EXHIBIT INDEX

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