

PUBLIX SUPER MARKETS INC
Form 10-Q
November 07, 2013

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 September 28, 2013
Commission File Number 0-00981

PUBLIX SUPER MARKETS, INC.
(Exact name of Registrant as specified in its charter)

Florida 59-0324412
(State of incorporation) (I.R.S. Employer Identification No.)

3300 Publix Corporate Parkway 33811
Lakeland, Florida
(Address of principal executive offices) (Zip code)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months.

Yes No

Indicate by check mark 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 Exchange Act).

Yes No

The number of shares of the Registrant's common stock outstanding as of October 18, 2013 was 779,027,000.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PUBLIX SUPER MARKETS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts are in thousands, except par value)

| | September 28, 2013 (Unaudited) | December 29, 2012 |
|--|-----------------------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$419,720 | 337,400 |
| Short-term investments | 843,991 | 797,260 |
| Trade receivables | 518,054 | 519,137 |
| Merchandise inventories | 1,438,990 | 1,409,367 |
| Deferred tax assets | 60,533 | 57,834 |
| Prepaid expenses | 32,898 | 28,124 |
| Total current assets | 3,314,186 | 3,149,122 |
| Long-term investments | 5,236,884 | 4,235,846 |
| Other noncurrent assets | 215,146 | 202,636 |
| Property, plant and equipment | 8,273,387 | 8,979,469 |
| Accumulated depreciation | (3,536,917) | (4,288,753) |
| Net property, plant and equipment | 4,736,470 | 4,690,716 |
| | \$13,502,686 | 12,278,320 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$1,324,377 | 1,306,996 |
| Accrued expenses: | | |
| Contribution to retirement plans | 373,550 | 430,395 |
| Self-insurance reserves | 141,288 | 138,998 |
| Salaries and wages | 220,374 | 109,091 |
| Other | 339,099 | 230,486 |
| Current portion of long-term debt | 37,726 | 5,018 |
| Federal and state income taxes | 15,814 | — |
| Total current liabilities | 2,452,228 | 2,220,984 |
| Deferred tax liabilities | 339,265 | 327,294 |
| Self-insurance reserves | 212,131 | 212,728 |
| Accrued postretirement benefit cost | 117,087 | 116,721 |
| Long-term debt | 104,882 | 153,454 |
| Other noncurrent liabilities | 113,141 | 118,321 |
| Total liabilities | 3,338,734 | 3,149,502 |
| Common stock related to Employee Stock Ownership Plan (ESOP) | 2,343,640 | 2,272,963 |
| Stockholders' equity: | | |
| Common stock of \$1 par value. Authorized 1,000,000 shares; issued 787,635 shares in 2013 and 776,094 shares in 2012 | 787,635 | 776,094 |
| Additional paid-in capital | 1,890,799 | 1,627,258 |
| Retained earnings | 7,597,894 | 6,640,538 |
| Treasury stock at cost, 8,546 shares in 2013 | (224,912) | — |
| Accumulated other comprehensive earnings | 63,545 | 38,289 |
| Common stock related to ESOP | (2,343,640) | (2,272,963) |
| Total stockholders' equity | 7,771,321 | 6,809,216 |

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| | | |
|--------------------------|--------------|------------|
| Noncontrolling interests | 48,991 | 46,639 |
| Total equity | 10,163,952 | 9,128,818 |
| | \$13,502,686 | 12,278,320 |

See accompanying notes to condensed consolidated financial statements.

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PUBLIX SUPER MARKETS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
 (Amounts are in thousands, except per share amounts)

| | Three Months Ended | |
|---------------------------------------|--------------------|--------------------|
| | September 28, 2013 | September 29, 2012 |
| | (Unaudited) | |
| Revenues: | | |
| Sales | \$7,023,036 | 6,652,102 |
| Other operating income | 54,492 | 50,149 |
| Total revenues | 7,077,528 | 6,702,251 |
| Costs and expenses: | | |
| Cost of merchandise sold | 5,108,341 | 4,817,425 |
| Operating and administrative expenses | 1,466,309 | 1,390,590 |
| Total costs and expenses | 6,574,650 | 6,208,015 |
| Operating profit | 502,878 | 494,236 |
| Investment income, net | 24,161 | 23,205 |
| Other income, net | 5,209 | 6,750 |
| Earnings before income tax expense | 532,248 | 524,191 |
| Income tax expense | 172,381 | 155,765 |
| Net earnings | \$359,867 | 368,426 |
| Weighted average shares outstanding | 780,640 | 782,765 |
| Basic and diluted earnings per share | \$0.46 | 0.47 |
| Dividends paid per common share | \$— | — |

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
 (Amounts are in thousands)

| | Three Months Ended | |
|--|--------------------|--------------------|
| | September 28, 2013 | September 29, 2012 |
| | (Unaudited) | |
| Net earnings | \$359,867 | 368,426 |
| Other comprehensive earnings: | | |
| Unrealized gain on available-for-sale (AFS) securities, net of tax effect of \$20,187 and \$13,103 in 2013 and 2012, respectively | 32,057 | 20,808 |
| Reclassification adjustment for net realized gain on AFS securities, net of tax effect of (\$1,756) and (\$1,347) in 2013 and 2012, respectively | (2,788) | (2,140) |
| Adjustment to postretirement benefit plan obligation, net of tax effect of \$508 and \$301 in 2013 and 2012, respectively | 806 | 478 |
| Comprehensive earnings | \$389,942 | 387,572 |

See accompanying notes to condensed consolidated financial statements.

PUBLIX SUPER MARKETS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
 (Amounts are in thousands, except per share amounts)

| | Nine Months Ended | |
|---------------------------------------|--------------------|--------------------|
| | September 28, 2013 | September 29, 2012 |
| | (Unaudited) | |
| Revenues: | | |
| Sales | \$21,566,484 | 20,505,170 |
| Other operating income | 166,773 | 161,602 |
| Total revenues | 21,733,257 | 20,666,772 |
| Costs and expenses: | | |
| Cost of merchandise sold | 15,561,110 | 14,814,787 |
| Operating and administrative expenses | 4,411,158 | 4,211,874 |
| Total costs and expenses | 19,972,268 | 19,026,661 |
| Operating profit | 1,760,989 | 1,640,111 |
| Investment income, net | 72,524 | 66,408 |
| Other income, net | 14,093 | 19,893 |
| Earnings before income tax expense | 1,847,606 | 1,726,412 |
| Income tax expense | 615,604 | 566,944 |
| Net earnings | \$1,232,002 | 1,159,468 |
| Weighted average shares outstanding | 780,807 | 783,643 |
| Basic and diluted earnings per share | \$1.58 | 1.48 |
| Dividends paid per common share | \$0.35 | 0.59 |

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
 (Amounts are in thousands)

| | Nine Months Ended | |
|--|--------------------|--------------------|
| | September 28, 2013 | September 29, 2012 |
| | (Unaudited) | |
| Net earnings | \$1,232,002 | 1,159,468 |
| Other comprehensive earnings: | | |
| Unrealized gain on AFS securities, net of tax effect of \$19,711 and \$18,296 in 2013 and 2012, respectively | 31,302 | 29,055 |
| Reclassification adjustment for net realized gain on AFS securities, net of tax effect of (\$5,330) and (\$3,048) in 2013 and 2012, respectively | (8,464) | (4,841) |
| Adjustment to postretirement benefit plan obligation, net of tax effect of \$1,524 and \$903 in 2013 and 2012, respectively | 2,418 | 1,434 |
| Comprehensive earnings | \$1,257,258 | 1,185,116 |

See accompanying notes to condensed consolidated financial statements.

PUBLIX SUPER MARKETS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Amounts are in thousands)

| | Nine Months Ended | |
|---|--------------------|--------------------|
| | September 28, 2013 | September 29, 2012 |
| | (Unaudited) | |
| Cash flows from operating activities: | | |
| Cash received from customers | \$21,608,131 | 20,587,069 |
| Cash paid to employees and suppliers | (18,935,593) | (17,958,788) |
| Income taxes paid | (605,196) | (638,757) |
| Self-insured claims paid | (243,733) | (215,979) |
| Dividends and interest received | 146,260 | 130,603 |
| Other operating cash receipts | 160,905 | 155,707 |
| Other operating cash payments | (12,906) | (10,052) |
| Net cash provided by operating activities | 2,117,868 | 2,049,803 |
| Cash flows from investing activities: | | |
| Payment for capital expenditures | (421,048) | (490,484) |
| Proceeds from sale of property, plant and equipment | 5,995 | 4,357 |
| Payment for investments | (1,949,270) | (1,446,264) |
| Proceeds from sale and maturity of investments | 867,608 | 672,022 |
| Net cash used in investing activities | (1,496,715) | (1,260,369) |
| Cash flows from financing activities: | | |
| Payment for acquisition of common stock | (442,308) | (410,194) |
| Proceeds from sale of common stock | 191,633 | 158,756 |
| Dividends paid | (274,646) | (464,626) |
| Repayment of long-term debt | (15,864) | (17,432) |
| Other, net | 2,352 | 1,219 |
| Net cash used in financing activities | (538,833) | (732,277) |
| Net increase in cash and cash equivalents | 82,320 | 57,157 |
| Cash and cash equivalents at beginning of period | 337,400 | 366,853 |
| Cash and cash equivalents at end of period | \$419,720 | 424,010 |

See accompanying notes to condensed consolidated financial statements. (Continued)

PUBLIX SUPER MARKETS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
 (Amounts are in thousands)

| | Nine Months Ended | |
|---|--------------------|--------------------|
| | September 28, 2013 | September 29, 2012 |
| | (Unaudited) | |
| Reconciliation of net earnings to net cash provided by operating activities: | | |
| Net earnings | \$1,232,002 | 1,159,468 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 375,596 | 368,316 |
| Increase in LIFO reserve | 19,802 | 28,488 |
| Retirement contributions paid or payable in common stock | 244,301 | 223,052 |
| Deferred income taxes | (6,633) | (23,113) |
| Loss on disposal and impairment of property, plant and equipment | 14,686 | 13,705 |
| Gain on AFS securities | (13,794) | (7,889) |
| Net amortization of investments | 98,627 | 79,458 |
| Changes in operating assets and liabilities providing (requiring) cash: | | |
| Trade receivables | 1,496 | 40,406 |
| Merchandise inventories | (49,425) | (30,041) |
| Prepaid expenses and other noncurrent assets | (10,480) | (5,572) |
| Accounts payable and accrued expenses | 193,127 | 244,100 |
| Self-insurance reserves | 1,693 | 5,264 |
| Federal and state income taxes | 17,742 | (48,219) |
| Other noncurrent liabilities | (872) | 2,380 |
| Total adjustments | 885,866 | 890,335 |
| Net cash provided by operating activities | \$2,117,868 | 2,049,803 |

See accompanying notes to condensed consolidated financial statements.

PUBLIX SUPER MARKETS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1)Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Publix Super Markets, Inc. and subsidiaries (the Company) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and the rules and regulations of the Securities and Exchange Commission (SEC) for interim financial reporting. Accordingly, the accompanying statements do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, these statements include all adjustments that are of a normal and recurring nature necessary to present fairly the Company's financial position, results of operations and cash flows. Due to the seasonal nature of the Company's business, the results of operations for the three and nine months ended September 28, 2013 are not necessarily indicative of the results for the entire 2013 fiscal year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 29, 2012.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2)Recently Adopted Accounting Standard

In February 2013, the Financial Accounting Standards Board issued an Accounting Standards Update that requires expanded disclosures related to accumulated other comprehensive earnings. The amended guidance requires entities to provide information about the amounts reclassified out of accumulated other comprehensive earnings by component. Additionally, entities are required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of accumulated other comprehensive earnings by the respective line items of net earnings. The amended guidance does not change the current requirements for reporting net earnings or other comprehensive earnings. The amendments are effective prospectively for reporting periods beginning after December 15, 2012. The adoption of this amendment during the quarter ended March 30, 2013 did not have an effect on the Company's financial condition, results of operations or cash flows.

(3)Fair Value of Financial Instruments

The fair value of certain of the Company's financial instruments, including cash and cash equivalents, trade receivables and accounts payable, approximates their respective carrying amounts due to their short-term maturity.

The fair value of available-for-sale (AFS) securities is based on market prices using the following measurement categories:

Level 1 – Fair value is determined by using quoted prices in active markets for identical investments. AFS securities that are included in this category are primarily a mutual fund, exchange traded funds and equity securities.

Level 2 – Fair value is determined by using other than quoted prices. By using observable inputs (for example, benchmark yields, interest rates, reported trades and broker dealer quotes), the fair value is determined through processes such as benchmark curves, benchmarking of like securities and matrix pricing of corporate and municipal bonds by using pricing of similar bonds based on coupons, ratings and maturities. In addition, the value of collateralized mortgage obligation securities is determined by using models to develop prepayment and interest rate scenarios for these securities which have prepayment features. AFS securities that are included in this category are primarily debt securities (tax exempt and taxable bonds).

Level 3 – Fair value is determined by using other than observable inputs. Fair value is determined by using the best information available in the circumstances and requires significant management judgment or estimation. No AFS securities are currently included in this category.

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Following is a summary of fair value measurements for AFS securities as of September 28, 2013 and December 29, 2012:

| | Fair Value | Level 1 | Level 2 | Level 3 |
|--------------------|----------------------------|-----------|-----------|---------|
| | (Amounts are in thousands) | | | |
| September 28, 2013 | \$6,080,875 | 1,006,790 | 5,074,085 | — |
| December 29, 2012 | 5,033,106 | 713,741 | 4,319,365 | — |

PUBLIX SUPER MARKETS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(4)Investments

All of the Company's debt and equity securities are classified as AFS and are carried at fair value. The Company evaluates whether AFS securities are other-than-temporarily impaired (OTTI) based on criteria that include the extent to which cost exceeds market value, the duration of the market value decline, the credit rating of the issuer or security, the failure of the issuer to make scheduled principal or interest payments and the financial health and prospects of the issuer or security.

Declines in the value of AFS securities determined to be OTTI are recognized in earnings and reported as OTTI losses. Debt securities with unrealized losses are considered OTTI if the Company intends to sell the debt security or if the Company will be required to sell the debt security prior to any anticipated recovery. If the Company determines that a debt security is OTTI under these circumstances, the impairment recognized in earnings is measured as the difference between the amortized cost and the current fair value. A debt security is also determined to be OTTI if the Company does not expect to recover the amortized cost of the debt security. However, in this circumstance, if the Company does not intend to sell the debt security and will not be required to sell the debt security, the impairment recognized in earnings equals the estimated credit loss as measured by the difference between the present value of expected cash flows and the amortized cost of the debt security. Expected cash flows are discounted using the debt security's effective interest rate. An equity security is determined to be OTTI if the Company does not expect to recover the cost of the equity security. Declines in the value of AFS securities determined to be temporary are reported, net of tax, as other comprehensive losses and included as a component of stockholders' equity.

Interest and dividend income, amortization of premiums, accretion of discounts and realized gains and losses on AFS securities are included in investment income. Interest income is accrued as earned. Dividend income is recognized as income on the ex-dividend date of the stock. The cost of AFS securities sold is based on the first-in, first-out method. Following is a summary of AFS securities as of September 28, 2013 and December 29, 2012:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|----------------------------|-------------------|------------------------------|-------------------------------|---------------|
| (Amounts are in thousands) | | | | |
| September 28, 2013 | | | | |
| Tax exempt bonds | \$3,532,904 | 22,570 | 13,862 | 3,541,612 |
| Taxable bonds | 1,517,355 | 9,427 | 3,611 | 1,523,171 |
| Restricted investments | 170,000 | — | 86 | 169,914 |
| Equity securities | 728,381 | 124,729 | 6,932 | 846,178 |
| | \$5,948,640 | 156,726 | 24,491 | 6,080,875 |
| December 29, 2012 | | | | |
| Tax exempt bonds | \$3,115,963 | 33,787 | 2,646 | 3,147,104 |
| Taxable bonds | 1,141,514 | 17,667 | 355 | 1,158,826 |
| Restricted investments | 170,000 | 431 | — | 170,431 |
| Equity securities | 510,613 | 58,631 | 12,499 | 556,745 |
| | \$4,938,090 | 110,516 | 15,500 | 5,033,106 |

Realized gains on sales of AFS securities totaled \$7,516,000 and \$25,563,000 for the three and nine months ended September 28, 2013, respectively. Realized losses on sales of AFS securities totaled \$2,972,000 and \$11,769,000 for the three and nine months ended September 28, 2013, respectively. There were no OTTI losses on AFS securities for the three and nine months ended September 28, 2013.

Realized gains on sales of AFS securities totaled \$9,209,000 and \$18,986,000 for the three and nine months ended September 29, 2012, respectively. Realized losses on sales of AFS securities totaled \$5,722,000 and \$11,097,000 for the three and nine months ended September 29, 2012, respectively. There were no OTTI losses on AFS securities for

the three and nine months ended September 29, 2012.

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PUBLIX SUPER MARKETS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The amortized cost and fair value of AFS securities by expected maturity as of September 28, 2013 and December 29, 2012 are as follows:

| | September 28, 2013 | | December 29, 2012 | |
|--|--------------------|------------|-------------------|------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| (Amounts are in thousands) | | | | |
| Due in one year or less | \$840,134 | 843,991 | 792,946 | 797,260 |
| Due after one year through five years | 3,650,174 | 3,663,584 | 2,725,036 | 2,755,043 |
| Due after five years through ten years | 363,852 | 356,742 | 520,800 | 526,924 |
| Due after ten years | 196,099 | 200,466 | 218,695 | 226,703 |
| | 5,050,259 | 5,064,783 | 4,257,477 | 4,305,930 |
| Restricted investments | 170,000 | 169,914 | 170,000 | 170,431 |
| Equity securities | 728,381 | 846,178 | 510,613 | 556,745 |
| | \$5,948,640 | 6,080,875 | 4,938,090 | 5,033,106 |

Following is a summary of temporarily impaired AFS securities by the time period impaired as of September 28, 2013 and December 29, 2012:

| | Less Than 12 Months | | 12 Months or Longer | | Total | |
|---|---------------------|-------------------|---------------------|-------------------|------------|-------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| (Amounts are in thousands) | | | | | | |
| September 28, 2013 | | | | | | |
| Tax exempt bonds | \$1,057,342 | 13,857 | 4,985 | 5 | 1,062,327 | 13,862 |
| Taxable bonds | 629,862 | 3,586 | 5,013 | 25 | 634,875 | 3,611 |
| Restricted investments | 169,914 | 86 | — | — | 169,914 | 86 |
| Equity securities | 65,818 | 5,127 | 8,542 | 1,805 | 74,360 | 6,932 |
| Total temporarily impaired AFS securities | \$1,922,936 | 22,656 | 18,540 | 1,835 | 1,941,476 | 24,491 |
| December 29, 2012 | | | | | | |
| Tax exempt bonds | \$566,914 | 2,646 | — | — | 566,914 | 2,646 |
| Taxable bonds | 81,876 | 355 | — | — | 81,876 | 355 |
| Equity securities | 209,759 | 8,878 | 14,260 | 3,621 | 224,019 | 12,499 |
| Total temporarily impaired AFS securities | \$858,549 | 11,879 | 14,260 | 3,621 | 872,809 | 15,500 |

There are 462 AFS securities issues contributing to the total unrealized loss of \$24,491,000 as of September 28, 2013. Unrealized losses related to debt securities are primarily driven by interest rate volatility impacting the market value of certain bonds. The Company continues to receive scheduled principal and interest payments on these debt securities. Unrealized losses related to equity securities are primarily driven by stock market volatility.

(5) Consolidation of Joint Ventures and Long-Term Debt

From time to time, the Company enters into Joint Ventures (JV), in the legal form of limited liability companies, with certain real estate developers to partner in the development of shopping centers with the Company as the anchor tenant. The Company consolidates certain of these JVs in which it has a controlling financial interest. The Company is considered to have a controlling financial interest in a JV when it has (1) the power to direct the activities of the JV that most significantly impact the JV's economic performance and (2) the obligation to absorb losses or the right to

receive benefits from the JV that could potentially be significant to such JV.

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PUBLIX SUPER MARKETS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company evaluates a JV using specific criteria to determine whether the Company has a controlling financial interest and is the primary beneficiary of the JV. Factors considered in determining whether the Company is the primary beneficiary include risk and reward sharing, experience and financial condition of the other JV members, voting rights, involvement in routine capital and operating decisions and each member's influence over the JV owned shopping center's economic performance.

Generally, most major JV decision making is shared between all members. In particular, the use and sale of JV assets, business plans and budgets are generally required to be approved by all members. However, the Company, through its anchor tenant operating lease agreement, has the power to direct the activities that most significantly influence the economic performance of the JV owned shopping center. Additionally, through its member equity interest in the JV, the Company will receive a significant portion of the JV's benefits or is obligated to absorb a significant portion of the JV's losses.

As of September 28, 2013, the carrying amounts of the assets and liabilities of the consolidated JVs were \$153,024,000 and \$51,301,000, respectively. As of December 29, 2012, the carrying amounts of the assets and liabilities of the consolidated JVs were \$157,675,000 and \$60,364,000, respectively. The assets are owned by, and the liabilities are obligations of, the JVs, not the Company, except for a portion of the long-term debt of certain JVs guaranteed by the Company. The JVs are financed with capital contributions from the members, loans and/or the cash flows generated by the JV owned shopping centers once in operation. Total earnings attributable to noncontrolling interests for 2013 and 2012 were immaterial. The Company's involvement with these JVs does not have a significant effect on the Company's financial condition, results of operations or cash flows.

The Company's long-term debt results primarily from the consolidation of loans of certain JVs and loans assumed in connection with the acquisition of certain shopping centers with the Company as the anchor tenant. No loans were assumed during the nine months ended September 28, 2013. The Company assumed loans totaling \$18,795,000 during the nine months ended September 29, 2012. Maturities of JV loans range from April 2014 through June 2016 and have either (1) fixed interest rates ranging from 4.5% to 5.3% or (2) variable interest rates based on a LIBOR index plus 250 basis points. Maturities of assumed shopping center loans range from March 2014 through January 2027 and have fixed interest rates ranging from 5.1% to 7.5%.

(6) Retirement Plan

The Company has a trustee, noncontributory Employee Stock Ownership Plan (ESOP) for the benefit of eligible employees. The Company's ESOP includes a put option for shares of the Company's common stock distributed from the ESOP. Shares are distributed from the ESOP primarily to separated vested participants and certain eligible participants who elect to diversify their account balances. Since the Company's common stock is not currently traded on an established securities market, if the owners of distributed shares desire to sell their shares, the Company is required to purchase the shares at fair value for a 15-month period after distribution of the shares from the ESOP. The fair value of distributed shares subject to the put option totaled \$41,750,000 and \$126,647,000 as of September 28, 2013 and December 29, 2012, respectively. The cost of the shares held by the ESOP totaled \$2,301,890,000 and \$2,146,316,000 as of September 28, 2013 and December 29, 2012, respectively. Due to the Company's obligation under the put option, the distributed shares subject to the put option and the shares held by the ESOP are classified as temporary equity in the mezzanine section of the condensed consolidated balance sheets and totaled \$2,343,640,000 and \$2,272,963,000 as of September 28, 2013 and December 29, 2012, respectively. The fair value of the shares held by the ESOP totaled \$6,617,519,000 and \$5,418,856,000 as of September 28, 2013 and December 29, 2012, respectively.

PUBLIX SUPER MARKETS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(7) Accumulated Other Comprehensive Earnings

The following tables provide a reconciliation of the changes in accumulated other comprehensive earnings net of income taxes for the three months ended September 28, 2013 and September 29, 2012:

| | AFS Securities | Postretirement Benefits | Accumulated Other Comprehensive Earnings |
|--|----------------------------|----------------------------|---|
| | (Amounts are in thousands) | | |
| 2013 | | | |
| Balances at June 29, 2013 | \$51,855 | (18,385) | 33,470 |
| Unrealized gain on AFS securities | 32,057 | — | 32,057 |
| Net realized gain on AFS securities reclassified to investment income, net | (2,788) | — | (2,788) |
| Amortization of actuarial losses reclassified to operating and administrative expenses | — | 806 | 806 |
| Net other comprehensive earnings | 29,269 | 806 | 30,075 |
| Balances at September 28, 2013 | \$81,124 | (17,579) | 63,545 |
| 2012 | | | |
| Balances at June 30, 2012 | \$50,249 | (13,486) | 36,763 |
| Unrealized gain on AFS securities | 20,808 | — | 20,808 |
| Net realized gain on AFS securities reclassified to investment income, net | (2,140) | — | (2,140) |
| Amortization of actuarial losses reclassified to operating and administrative expenses | — | 478 | 478 |
| Net other comprehensive earnings | 18,668 | 478 | 19,146 |
| Balances at September 29, 2012 | \$68,917 | (13,008) | 55,909 |

PUBLIX SUPER MARKETS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following tables provide a reconciliation of the changes in accumulated other comprehensive earnings net of income taxes for the nine months ended September 28, 2013 and September 29, 2012:

| | AFS Securities | Postretirement Benefits | Accumulated Other Comprehensive Earnings |
|--|----------------------------|----------------------------|---|
| | (Amounts are in thousands) | | |
| 2013 | | | |
| Balances at December 29, 2012 | \$58,286 | (19,997) | 38,289 |
| Unrealized gain on AFS securities | 31,302 | — | 31,302 |
| Net realized gain on AFS securities reclassified to investment income, net | (8,464) | — | (8,464) |
| Amortization of actuarial losses reclassified to operating and administrative expenses | — | 2,418 | 2,418 |
| Net other comprehensive earnings | 22,838 | 2,418 | 25,256 |
| Balances at September 28, 2013 | \$81,124 | (17,579) | 63,545 |
| 2012 | | | |
| Balances at December 31, 2011 | \$44,703 | (14,442) | 30,261 |
| Unrealized gain on AFS securities | 29,055 | — | 29,055 |
| Net realized gain on AFS securities reclassified to investment income, net | (4,841) | — | (4,841) |
| Amortization of actuarial losses reclassified to operating and administrative expenses | — | 1,434 | 1,434 |
| Net other comprehensive earnings | 24,214 | 1,434 | 25,648 |
| Balances at September 29, 2012 | \$68,917 | (13,008) | 55,909 |

(8) Subsequent Event

On October 1, 2013, the Company declared a semi-annual dividend on its common stock of \$0.35 per share or approximately \$272,000,000, payable on December 2, 2013 to stockholders of record as of the close of business October 31, 2013.

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

Overview

The Company is primarily engaged in the retail food industry, operating supermarkets in Florida, Georgia, Alabama, South Carolina and Tennessee. As of September 28, 2013, the Company operated 1,073 supermarkets. The Company will expand its retail operations into North Carolina in 2014.

Results of Operations

Sales

Sales for the three months ended September 28, 2013 were \$7.0 billion as compared with \$6.7 billion for the three months ended September 29, 2012, an increase of \$370.9 million or 5.6%. The Company estimates that its sales increased \$98.2 million or 1.5% from new supermarkets and \$272.7 million or 4.1% from comparable store sales (supermarkets open for the same weeks in both periods, including replacement supermarkets). Sales for supermarkets that are replaced on site are classified as new supermarket sales since the replacement period for the supermarket is generally 9 to 12 months. Sales for the nine months ended September 28, 2013 were \$21.6 billion as compared with \$20.5 billion for the nine months ended September 29, 2012, an increase of \$1,061.3 million or 5.2%. The Company estimates that its sales increased \$364.1 million or 1.8% from new supermarkets and \$697.2 million or 3.4% from comparable store sales. Comparable store sales for the three and nine months ended September 28, 2013 increased primarily due to product cost inflation and increased customer counts resulting from a better, but still difficult, economic climate.

Gross profit

Gross profit (sales less cost of merchandise sold) as a percentage of sales was 27.3% and 27.6% for the three months ended September 28, 2013 and September 29, 2012, respectively. The decrease in gross profit as a percentage of sales for the three months ended September 28, 2013 as compared with the three months ended September 29, 2012 was primarily due to increases in promotional activity and product cost increases, some of which were not passed on to customers, partially offset by a decrease in the last-in, first-out inventory reserve impact. Gross profit as a percentage of sales was 27.8% for the nine months ended September 28, 2013 and September 29, 2012.

Operating and administrative expenses

Operating and administrative expenses as a percentage of sales were 20.9% for the three months ended September 28, 2013 and September 29, 2012. Operating and administrative expenses as a percentage of sales were 20.5% for the nine months ended September 28, 2013 and September 29, 2012.

Investment income, net

Investment income, net was \$24.2 million and \$23.2 million for the three months ended September 28, 2013 and September 29, 2012, respectively. Investment income, net was \$72.5 million and \$66.4 million for the nine months ended September 28, 2013 and September 29, 2012, respectively. The increase in investment income, net for the three and nine months ended September 28, 2013 as compared with the three and nine months ended September 29, 2012 was primarily due to an increase in net realized gains on AFS securities. There were no OTTI losses on AFS securities for the three and nine months ended September 28, 2013 and September 29, 2012.

Income taxes

The effective income tax rate was 32.4% and 29.7% for the three months ended September 28, 2013 and September 29, 2012, respectively. The effective income tax rate was 33.3% and 32.8% for the nine months ended September 28, 2013 and September 29, 2012, respectively. The increase in the effective income tax rate for the three and nine months ended September 28, 2013 as compared with the three and nine months ended September 29, 2012 was primarily due to a decrease in the estimated annual effective income tax rate in the third quarter of 2012 due to the dividends paid to ESOP participants for the first semi-annual dividend, as noted in Dividends below, partially offset by a decrease in the effective income tax rate for the three and nine months ended September 28, 2013 due to tax exempt investment income and investment related tax credits.

Net earnings

Net earnings were \$359.9 million or \$0.46 per share and \$368.4 million or \$0.47 per share for the three months ended September 28, 2013 and September 29, 2012, respectively. Net earnings as a percentage of sales were 5.1% and 5.5% for the three months ended September 28, 2013 and September 29, 2012, respectively. The decrease in net earnings as

a percentage of sales for the three months ended September 28, 2013 as compared with the three months ended September 29, 2012 was primarily due to a decrease in gross profit as a percentage of sales and an increase in the effective income tax rate, as noted above. Net earnings were \$1,232.0 million or \$1.58 per share and \$1,159.5 million or \$1.48 per share for the nine months ended September 28, 2013 and September 29, 2012, respectively. Net earnings as a percentage of sales were 5.7% for the nine months ended September 28, 2013 and September 29, 2012.

Liquidity and Capital Resources

Cash and cash equivalents, short-term investments and long-term investments totaled \$6,500.6 million as of September 28, 2013, as compared with \$5,370.5 million as of December 29, 2012. This increase was primarily due to the Company generating cash from operating activities of \$2,117.9 million of which \$1,081.7 million was invested in AFS securities.

Net cash provided by operating activities

Net cash provided by operating activities was \$2,117.9 million for the nine months ended September 28, 2013, as compared with \$2,049.8 million for the nine months ended September 29, 2012. The increase in cash provided by operating activities for the nine months ended September 28, 2013 as compared with the nine months ended September 29, 2012 was primarily due to the increase in net earnings. Any net cash in excess of the amount needed for current operations is invested in short-term and long-term investments.

Net cash used in investing activities

Net cash used in investing activities was \$1,496.7 million for the nine months ended September 28, 2013, as compared with \$1,260.4 million for the nine months ended September 29, 2012. For the nine months ended September 28, 2013, the primary use of net cash in investing activities was funding capital expenditures and net increases in investment securities. Capital expenditures totaled \$421.0 million. These expenditures were incurred in connection with the opening of 12 new supermarkets (including one replacement supermarket) and remodeling 82 supermarkets. Eight supermarkets were closed during the period. The replacement supermarket that opened during the nine months ended September 28, 2013 replaced one of the supermarkets closed during the same period. Six of the remaining supermarkets closed during the nine months ended September 28, 2013 will be replaced on site in subsequent periods and one supermarket will not be replaced. New supermarkets added 0.2 million square feet in the nine months ended September 28, 2013, an increase of 0.4%. Expenditures were also incurred for new supermarkets and remodels in progress, the construction of new warehouses, the acquisition of shopping centers with the Company as the anchor tenant and new or enhanced information technology hardware and applications. During the first quarter of 2013, the Company wrote off \$1,061.6 million of fully depreciated furniture, fixtures and equipment. Since the assets were fully depreciated, the write off had no effect on the Company's financial condition, results of operations or cash flows. For the nine months ended September 28, 2013, the payment for investments, net of the proceeds from the sale and maturity of such investments, was \$1,081.7 million.

For the nine months ended September 29, 2012, the primary use of net cash in investing activities was funding capital expenditures and net increases in investment securities. Capital expenditures totaled \$490.5 million. These expenditures were incurred in connection with the opening of 19 new supermarkets (including five replacement supermarkets) and remodeling 67 supermarkets. Four supermarkets were closed during the period. Replacement supermarkets opened during the nine months ended September 29, 2012 replaced two supermarkets closed during the same period and three supermarkets closed in 2011 that were replaced on site. The remaining two supermarkets closed during the nine months ended September 29, 2012 were replaced on site in subsequent periods. New supermarkets added 0.7 million square feet in the nine months ended September 29, 2012, an increase of 1.5%. Expenditures were also incurred for the acquisition of shopping centers with the Company as the anchor tenant, the expansion of existing warehouses and new or enhanced information technology hardware and applications. For the same period, the payment for investments, net of the proceeds from the sale and maturity of such investments, was \$774.2 million.

Capital expenditure projection

Capital expenditures for the remainder of 2013 are expected to be approximately \$339 million, primarily consisting of new supermarkets, remodeling certain existing supermarkets, construction of new warehouses, new or enhanced information technology hardware and applications and the acquisition of certain shopping centers with the Company as the anchor tenant. The shopping center acquisitions are financed with internally generated funds and assumed debt, if prepayment penalties for the debt are determined to be significant. This capital program is subject to continuing change and review. In the normal course of operations, the Company replaces supermarkets and closes supermarkets that are not meeting performance expectations. The impact of future supermarket closings is not expected to be material.

Net cash used in financing activities

Net cash used in financing activities was \$538.8 million for the nine months ended September 28, 2013, as compared with \$732.3 million for the nine months ended September 29, 2012. The decrease in net cash used in financing activities was primarily due to the payment of a semi-annual dividend of \$274.6 million during the nine months ended September 28, 2013 as compared with the payment of an annual dividend of \$464.6 million during the nine months ended September 29, 2012. In addition to the payment of dividends, the primary use of net cash in financing activities was funding net common stock repurchases. Net common stock repurchases totaled \$250.7 million for the nine months ended September 28, 2013, as compared with \$251.4 million for the nine months ended September 29, 2012. The Company currently repurchases common stock at the stockholders' request in accordance with the terms of the Company's Employee Stock Purchase Plan (ESPP), 401(k) Plan, ESOP and Non-Employee Directors Stock Purchase Plan (Directors Plan). The amount of common stock offered to the Company for repurchase is not within

the control of the Company, but is at the discretion of the stockholders. The Company expects to continue to repurchase its common stock, as offered by its stockholders from time to time, at its then current value for amounts similar to those in prior years. However, with the exception of certain shares distributed from the ESOP, such purchases are not required and the Company retains the right to discontinue them at any time.

Dividends

On June 3, 2013, the Company paid a semi-annual dividend on its common stock of \$0.35 per share or \$274.6 million to stockholders of record as of the close of business April 30, 2013. On October 1, 2013, the Company declared a semi-annual dividend on its common stock of \$0.35 per share or approximately \$272 million, payable on December 2, 2013 to stockholders of record as of the close of business October 31, 2013.

On June 1, 2012, the Company paid an annual dividend on its common stock of \$0.59 per share or \$464.6 million. Due to the growth of the Company's dividend over the last several years, the Company decided in 2012 to begin paying a semi-annual dividend rather than an annual dividend. To not delay any dividend payments to the Company's stockholders, the first semi-annual dividend of \$0.30 per share or \$234.1 million was paid on December 3, 2012.

Cash requirements

In 2013, the cash requirements for current operations, capital expenditures, common stock repurchases and dividend payments are expected to be financed by internally generated funds or liquid assets. Based on the Company's financial position, it is expected that short-term and long-term borrowings would be available to support the Company's liquidity requirements, if needed.

Forward-Looking Statements

From time to time, certain information provided by the Company, including written or oral statements made by its representatives, may contain forward-looking information as defined in Section 21E of the Securities Exchange Act of 1934. Forward-looking information includes statements about the future performance of the Company, which is based on management's assumptions and beliefs in light of the information currently available to them. When used, the words "plan," "estimate," "project," "intend," "believe" and other similar expressions, as they relate to the Company, are intended to identify such forward-looking statements. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from those statements including, but not limited to, the following: competitive practices and pricing in the food and drug industries generally and particularly in the Company's principal markets; results of programs to increase sales, including private-label sales; results of programs to control or reduce costs; changes in buying, pricing and promotional practices; changes in shrink management; changes in the general economy; changes in consumer spending; changes in population, employment and job growth in the Company's principal markets; and other factors affecting the Company's business within or beyond the Company's control. These factors include changes in the rate of inflation, changes in state and federal legislation or regulation, adverse determinations with respect to litigation or other claims, ability to recruit and retain employees, increases in operating costs including, but not limited to, labor costs, credit card fees and utility costs, particularly electric utility costs, ability to construct new supermarkets or complete remodels as rapidly as planned and stability of product costs. Other factors and assumptions not identified above could also cause the actual results to differ materially from those set forth in the forward-looking statements. The Company assumes no obligation to publicly update these forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company does not utilize financial instruments for trading or other speculative purposes, nor does it utilize leveraged financial instruments. There have been no material changes in the market risk factors from those disclosed in the Company's Form 10-K for the year ended December 29, 2012.

Item 4. Controls and Procedures

As of the end of the period covered by this quarterly report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer each concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that

it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and that such information has been accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure. There have been no changes in the Company's internal control over financial reporting identified in connection with the evaluation that occurred during the quarter ended September 28, 2013 that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As reported in the Company's Form 10-K for the year ended December 29, 2012, the Company is a party in various legal claims and actions considered in the normal course of business. The Company believes its recorded reserves are adequate in light of the probable and estimable liabilities. The estimated amount of reasonably possible losses for claims, individually and in the aggregate, is considered to be immaterial. In the opinion of management, the ultimate resolution of these legal proceedings will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Item 1A. Risk Factors

There have been no material changes in the risk factors from those disclosed in the Company's Form 10-K for the year ended December 29, 2012.

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

Issuer Purchases of Equity Securities

Shares of common stock repurchased by the Company during the three months ended September 28, 2013 were as follows (amounts are in thousands, except per share amounts):

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾ | Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs ⁽¹⁾ |
|--|----------------------------------|------------------------------|---|---|
| June 30, 2013 through August 3, 2013 | 2,018 | \$27.26 | N/A | N/A |
| August 4, 2013 through August 31, 2013 | 1,571 | 27.55 | N/A | N/A |
| September 1, 2013 through September 28, 2013 | 1,411 | 27.55 | N/A | N/A |
| Total | 5,000 | \$27.43 | N/A | N/A |

Common stock is made available for sale only to the Company's current employees through the Company's ESPP and to participants of the Company's 401(k) Plan. In addition, common stock is made available under the ESOP.

⁽¹⁾ Common stock is also made available for sale to members of the Company's Board of Directors through the Directors Plan. The Company currently repurchases common stock subject to certain terms and conditions. The ESPP, 401(k) Plan, ESOP and Directors Plan each contain provisions prohibiting any transfer for value without the owner first offering the common stock to the Company.

The Company's common stock is not traded on an established securities market. The amount of common stock offered to the Company for repurchase is not within the control of the Company, but is at the discretion of the stockholders. The Company does not believe that these repurchases of its common stock are within the scope of a publicly announced plan or program (although the terms of the plans discussed above have been communicated to the participants). Thus, the Company does not believe that it has made any repurchases during the three months ended September 28, 2013 required to be disclosed in the last two columns of the table.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures
Not Applicable.

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Item 5. Other Information

Not Applicable.

Item 6. Exhibits

31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended September 28, 2013, is formatted in Extensible Business Reporting Language: (i) Condensed Consolidated 101 Balance Sheets, (ii) Condensed Consolidated Statements of Earnings, (iii) Condensed Consolidated Statements of Comprehensive Earnings, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.

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.

PUBLIX SUPER MARKETS, INC.

Date: November 7, 2013

/s/ John A. Attaway, Jr.
John A. Attaway, Jr., Secretary

Date: November 7, 2013

/s/ David P. Phillips
David P. Phillips, Chief Financial Officer
and Treasurer (Principal Financial and
Accounting Officer)