

KROGER CO
Form 10-Q
December 18, 2018

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 November 10, 2018

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 1-303

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)

31-0345740
(I.R.S. Employer
Identification No.)

1014 Vine Street, Cincinnati, OH 45202

(Address of principal executive offices)

(Zip Code)

(513) 762-4000

(Registrant's telephone number, including area code)

Unchanged

(Former name, former address and former fiscal year, if changed since last report)

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer

Non-accelerated filer (do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

There were 797,743,035 shares of Common Stock (\$1 par value) outstanding as of December 12, 2018.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

THE KROGER CO.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(In millions, except per share amounts)	Third Quarter Ended		Three Quarters Ended	
	November 10, 2018	November 4, 2017	November 10, 2018	November 4, 2017
Sales	\$ 27,672	\$ 27,749	\$ 93,071	\$ 91,631
Operating expenses				
Merchandise costs, including advertising, warehousing, and transportation, excluding items shown separately below	21,699	21,532	72,991	71,422
Operating, general and administrative	4,556	4,701	15,291	15,585
Rent	200	196	680	691
Depreciation and amortization	570	573	1,884	1,871
Operating profit	647	747	2,225	2,062
Other income (expense)				
Interest expense	(142)	(136)	(479)	(453)
Non-service component of company-sponsored pension plan costs	(6)	(7)	(19)	(21)
Mark to market gain (loss) on Ocado securities	(100)	—	152	—
Gain on sale of business	—	—	1,782	—
Net earnings before income tax expense	399	604	3,661	1,588
Income tax expense	91	215	834	552
Net earnings including noncontrolling interests	308	389	2,827	1,036
Net loss attributable to noncontrolling interests	(9)	(8)	(24)	(17)
Net earnings attributable to The Kroger Co.	\$ 317	\$ 397	\$ 2,851	\$ 1,053
	\$ 0.39	\$ 0.44	\$ 3.46	\$ 1.16

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Net earnings attributable to The Kroger Co. per basic
common share

Average number of common shares used in basic calculation	797	887	814	901
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Net earnings attributable to The Kroger Co. per diluted
common share

\$ 0.39	\$ 0.44	\$ 3.43	\$ 1.15
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Average number of common shares used in diluted
calculation

807	893	822	910
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The accompanying notes are an integral part of the Consolidated Financial Statements.

THE KROGER CO.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

(In millions)	Third Quarter Ended		Three Quarters Ended	
	November 10, 2018	November 4, 2017	November 10, 2018	November 4, 2017
Net earnings including noncontrolling interests	\$ 308	\$ 389	\$ 2,827	\$ 1,036
Other comprehensive income (loss)				
Realized gains on available for sale securities, net of income tax(1)	—	—	(4)	—
Change in pension and other postretirement defined benefit plans, net of income tax(2)	10	10	33	33
Unrealized gains and losses on cash flow hedging activities, net of income tax(3)	37	9	37	(26)
Amortization of unrealized gains and losses on cash flow hedging activities, net of income tax(4)	1			