

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

FOODARAMA SUPERMARKETS INC  
Form 10-Q  
March 14, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: January 29, 2005

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 1-5745-1

FOODARAMA SUPERMARKETS, INC.  
(Exact name of Registrant as specified in its charter)

New Jersey

21-0717108

-----  
(State or other jurisdiction of  
incorporation or organization)

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

Building 6, Suite 1, 922 Highway 33, Freehold, New Jersey 07728  
-----

(Address of principal executive offices)

Telephone #732-462-4700  
(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 and (2) has been subject to such filing requirements for  
the past 90 days. Yes  No

Indicate by check mark whether the Registrant is an accelerated filer (as  
defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of  
common stock, as of the close of the latest practicable date.

CLASS	OUTSTANDING AT
-----	March 11, 2005
-----	-----
Common Stock	987,617 shares
\$1 par value	

# Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

FOODARAMA SUPERMARKETS, INC.  
-----

## PART I. FINANCIAL INFORMATION

- Item 1. Financial Statements
- Unaudited Consolidated Condensed Balance Sheets January 29, 2005 and October 30, 2004
- Unaudited Consolidated Condensed Statements of Operations for the thirteen weeks ended January 29, 2005 and January 31, 2004
- Unaudited Consolidated Condensed Statements of Cash Flows for the thirteen weeks ended January 29, 2005 and January 31, 2004
- Notes to the Unaudited Consolidated Condensed Financial Statements
- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Item 3. Quantitative and Qualitative Disclosures About Market Risk
- Item 4. Controls and Procedures

## PART II. OTHER INFORMATION

- Item 6. Exhibits

### Disclosure Concerning Forward-Looking Statements -----

All statements, other than statements of historical fact, included in this Form 10-Q, including without limitation the statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations", are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward-looking statements involve assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Foodarama Supermarkets, Inc. (the "Company", which may be referred to as we, us or our) to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements contained in this Form 10-Q. Such potential risks and uncertainties, include without limitation, competitive pressures from other supermarket operators, warehouse club stores and discount general merchandise stores, economic conditions in the Company's primary markets, consumer spending patterns, availability of capital, cost of labor, cost of goods sold including increased costs from the Company's cooperative supplier, Wakefern Food Corporation ("Wakefern"), and other risk factors detailed herein and in other of the Company's Securities and Exchange Commission filings. The forward-looking statements are made as of the date of this Form 10-Q and the Company assumes no obligation to update the forward-looking statements or to update the reasons actual results could differ from those projected in such forward-looking statements.

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

PART I. FINANCIAL INFORMATION

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES

Consolidated Condensed Balance Sheets

(In thousands)

	January 29, 2005 (Unaudited)	October 30, 2004 (1)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 6,286	\$ 6,001
Merchandise inventories	57,137	57,123
Receivables and other current assets	8,016	8,456
Prepaid and refundable income taxes	527	170
Related party receivables - Wakefern	7,665	14,799
	-----	-----
	79,631	86,549
	-----	-----
Property and equipment:		
Land	308	308
Buildings and improvements	1,220	1,220
Leasehold improvements	60,678	60,488
Equipment	162,711	161,554
Property under capital leases	152,354	152,354
Construction in progress	60	60
	-----	-----
	377,331	375,984
	-----	-----
Less accumulated depreciation and amortization	145,632	140,138
	-----	-----
	231,699	235,846
	-----	-----
Other assets:		
Investments in related parties	17,655	17,655
Goodwill	1,715	1,715
Intangible assets, net	1,446	1,493
Other	3,341	3,339
Related party receivables - Wakefern	2,076	2,039
	-----	-----
	26,233	26,241
	-----	-----
	\$337,563	\$348,636
	=====	=====

(continued)

(1) Derived from the Audited Consolidated Financial Statements for the year ended October 30, 2004.

See accompanying notes to the consolidated condensed financial statements.

# Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES

-----  
 Consolidated Condensed Balance Sheets  
 -----

(In thousands except share data)

	January 29, 2005 (Unaudited)	October 30, 2004 (1)
	-----	-----
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 8,956	\$ 8,415
Current portion of long-term debt, related party	925	867
Current portion of obligations under capital leases	1,869	1,727
Current income taxes payable	994	408
Deferred income taxes	1,579	1,579
Accounts payable:		
Related party-Wakefern	46,458	39,639
Others	10,333	14,384
Accrued expenses	13,123	15,236
	-----	-----
	84,237	82,255
	-----	-----
Long-term debt	50,774	63,051
Long-term debt, related party	3,318	3,590
Obligations under capital leases	141,974	142,504
Deferred income taxes	1,851	2,292
Other long-term liabilities	13,838	13,711
	-----	-----
	211,755	225,148
	-----	-----
Commitments and Contingencies		
Shareholders' equity:		
Common stock, \$1.00 par; authorized 2,500,000 shares; issued 1,621,767 shares; outstanding 987,617 shares	1,622	1,622
Capital in excess of par	4,168	4,168
Deferred compensation	(495)	(580)
Retained earnings	51,592	51,339
Accumulated other comprehensive income:		
Minimum pension liability	(3,140)	(3,140)
	-----	-----
	53,747	53,409
Less 634,150 shares, held in treasury, at cost	12,176	12,176
	-----	-----
	41,571	41,233
	-----	-----
	\$ 337,563	\$ 348,636
	=====	=====

(1) Derived from the Audited Consolidated Financial Statements for the year ended October 30, 2004.

See accompanying notes to the consolidated condensed financial statements.

## Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES

-----  
 Consolidated Condensed Statements of Operations - Unaudited  
 -----

(In thousands - except share data)

	13 Weeks Ended	
	January 29, 2005	January 31, 2004
	-----	-----
Sales	\$ 317,589	\$ 293,843
Cost of goods sold	237,482	217,615
	-----	-----
Gross profit	80,107	76,228
Selling, general and administrative expenses	75,075	70,471
	-----	-----
Earnings from operations	5,032	5,757
	-----	-----
Other income (expense):		
Interest expense	(4,660)	(3,784)
Interest income	36	27
	-----	-----
	(4,624)	(3,757)
	-----	-----
Earnings before income tax provision	408	2,000
Income tax provision	(155)	(760)
	-----	-----
Net income	\$ 253	\$ 1,240
	=====	=====
Per share information:		
Net income per common share:		
Basic	\$ .26	\$ 1.26
	=====	=====
Diluted	\$ .24	\$ 1.22
	=====	=====
Weighted average shares outstanding:		
Basic	987,617	986,867
	=====	=====
Diluted	1,035,753	1,013,049
	=====	=====
Dividends per common share	-0-	-0-
	=====	=====

See accompanying notes to the consolidated condensed financial statements.

# Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES

-----  
 Consolidated Condensed Statements of Cash Flows - Unaudited  
 -----

(In thousands)

	13 Weeks Ended	
	January 29, 2005	January 31, 2004
	-----	-----
Cash flows from operating activities:		
Net income	\$ 253	\$ 1,240
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,494	4,685
Amortization, intangibles	47	26
Amortization, deferred financing costs	244	177
Amortization, deferred rent escalation	(80)	(76)
Provision to value inventory at LIFO	238	280
Deferred income taxes	(441)	(30)
Amortization of deferred compensation	86	124
(Increase) decrease in		
Merchandise inventories	(252)	(814)
Receivables and other current assets	(335)	261
Prepaid and refundable income taxes	(357)	891
Other assets	(246)	(318)
Related party receivables-Wakefern	7,097	6,846
Increase (decrease) in Accounts payable	2,768	3,487
Income taxes payable	586	1,084
Other liabilities	(1,907)	1,055
	-----	-----
	13,195	18,918
	-----	-----
Cash flows from investing activities:		
Decrease in construction advance due from landlords	775	6,061
Increase in construction advance due from landlords	-	(5,481)
Cash paid for the purchase of property and equipment	(1,347)	(3,861)
Cash paid for construction in progress	-	(1,258)
	-----	-----
	(572)	(4,539)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of debt	-	2,359
Principal payments under long-term debt	(11,736)	(15,088)
Principal payments under capital lease obligations	(388)	(454)
Principal payments under long-term debt, related party	(214)	(268)
Deferred financing and other costs	-	-
	-----	-----
	(12,338)	(13,451)
	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS	285	928
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,001	5,252
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 6,286	\$ 6,180
	=====	=====

See accompanying notes to the consolidated condensed financial statements.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)  
-----Note 1 Basis of Presentation  
-----

The unaudited Consolidated Condensed Financial Statements as of or for the period ending January 29, 2005, have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and rule 10-01. The balance sheet at October 30, 2004 has been taken from the audited financial statements at that date. In the opinion of the management of the Company, all adjustments (consisting only of normal recurring accruals) which are considered necessary for a fair presentation of the results of operations for the period have been made. Certain financial information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The reader is referred to the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K and Form 10-K/A for the year ended October 30, 2004.

At January 29, 2005 and October 30, 2004, approximately 81% and 82%, respectively, of merchandise inventories are valued by the Last-In-First-Out ("LIFO") method of inventory valuation while the balance of inventories is valued by the First-In-First-Out ("FIFO") method. If the FIFO method had been used for the entire inventory, inventories would have been \$3,978,000 and \$3,740,000 higher than reported at January 29, 2005 and October 30, 2004, respectively.

Certain reclassifications have been made to prior year financial statements in order to conform to the current year presentation.

These results are not necessarily indicative of the results for the entire fiscal year.

Note 2 Adoption of New Accounting Standards  
-----

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs", an amendment of ARB No. 43, Chapter 4. SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing", to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and spoilage. This statement requires that those items be recognized as current period charges regardless of whether they meet the criterion of "so abnormal" which was the criterion specified in ARB No. 43. This pronouncement is effective for the fiscal years beginning after June 15, 2005. The Company has not yet assessed the impact on adopting this new standard.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment", which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation". SFAS No. 123(R) supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" and amends SFAS No. 95, "Statement of Cash Flows". Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. The new standard will be effective for the Company in the first interim or annual reporting period beginning after June 15, 2005, which is the fourth quarter of fiscal 2005. The Company has not yet assessed the impact on adopting this new standard.

## Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29." SFAS No. 153 specifies the criteria required to record a nonmonetary asset exchange using carryover basis. SFAS No.

7

153 is effective for nonmonetary asset exchanges occurring after July 1, 2005. The Company will adopt this statement in the third quarter of fiscal 2005 and it is not expected to have a material effect on the financial statements when adopted.

In December 2004, the FASB issued FSP FAS 109-1, Application of FASB Statement No. 109, "Accounting for Income Taxes," to the "Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004" to provide accounting guidance on the appropriate treatment of tax benefits generated by the enactment of the Act. The FSP requires that the manufacturer's deduction be treated as a special deduction in accordance with SFAS 109 and not as a tax rate reduction. The Company is awaiting final tax regulations from the Internal Revenue Service before completing its assessment of the impact of adopting FSP FAS 109-1 on its financial statements.

### Note 3 - Stock-Based Compensation

-----

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB 25") and related interpretations in accounting for its employee stock options. Under this method, compensation cost is measured as the amount by which the market price of the underlying stock exceeds the exercise price of the stock option at the date at which both the number of options granted and the exercise price are known.

In accordance with SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation is as follows:

	Thirteen Weeks Ended	
	(In thousands, except per share amounts)	
	January 29, 2005	January 31, 2004
Net inc	\$ 253	\$ 1,240
Add:		
Stock-based employee compensation expense included in reported net income, net of related tax effects	52	56
Deduct:		
Adjustment to total stock-based employee compensation expense determined under the fair value based method, net of related tax effects	(71)	( 76)
Pro forma net income	\$ 234	\$ 1,220



Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

Earnings per share:	=====	
Basic, as reported	\$ .26	\$ 1.26
	=====	
Basic, pro forma	\$ .24	\$ 1.24
	=====	
Diluted, as reported	\$ .24	\$ 1.22
	=====	
Diluted, pro forma	\$ .23	\$ 1.20
	=====	

8

Note 4 Employee Benefit Plans

-----

The following tables summarize the components of the net periodic pension expense for the Company sponsored defined benefit pension plans (both funded and unfunded postretirement plans) for the 13 weeks ended January 29, 2005 and January 31, 2004 (in thousands):

Components of Net Periodic Benefit Cost:

Pension Plans	13 Weeks Ended	
	January 29, 2005	January 31, 2004
-----	-----	-----
Service cost	\$ 123	\$ 62
Interest cost	132	172
Expected return on plan assets	(134)	(118)
Settlement (gain) loss recognized	-	-
Amortization of prior service cost	11	12
Recognized net actuarial loss	95	91
	-----	-----
Net periodic benefit cost	\$ 227	\$ 219
	=====	=====

Other Postretirement Plan	13 Weeks Ended	
	January 29, 2005	January 31, 2004
-----	-----	-----
Service cost	\$ 46	\$ 42
Interest cost	83	78
Amortization of prior service cost	21	20
Recognized net actuarial loss	46	51
	-----	-----
Net periodic benefit cost	\$ 196	\$ 191
	=====	=====

As previously disclosed in the Notes to the Consolidated Financial Statements in the Company's 2004 Annual Report on Form 10-K/A filed with the SEC on February 28, 2005, the Company's current funding policy for its qualified pension plans is to contribute annually the amount required by regulatory authorities to meet minimum funding requirements. The Company presently anticipates contributing approximately \$1,246,000 to its pension plans during fiscal 2005. This amount is based on preliminary information and the actual amount contributed will be determined based on the final actuarial calculations, plan asset performance, possible changes in law and other factors. The Company has contributed \$311,000

## Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

during the thirteen weeks ended January 29, 2005, and anticipates contributing approximately \$935,000 more for expected future benefit payments during the remainder of fiscal 2005.

Since the Company's Other Post Retirement Plan is unfunded, the contributions to this plan are equal to the benefit payments made during the year. There were no benefit payments made during the 13 weeks ended January 29, 2005.

9

Part I - Item 2 Management's Discussion and Analysis of Financial Condition and

-----  
Results of Operations  
-----

OVERVIEW  
-----

We operate a chain of 26 ShopRite supermarkets in Central New Jersey. We believe it is important to maintain a modern, one stop competitive shopping environment for our customers and therefore have invested heavily in new, expanded and remodeled facilities. We have incorporated upscale service departments in our World Class supermarket concept. We are the largest member of Wakefern, the largest retailer owned food cooperative warehouse in the United States. Since we purchase from Wakefern most of the product we sell, participate in advertising, supply, insurance and technology programs with Wakefern, and receive 13.5% of Wakefern's patronage dividend, our success is integrally tied to the success of Wakefern.

We operate in a highly competitive geographic area. Certain of our competitors are non-union and therefore may have lower labor and related fringe benefit costs. In the past five years a non-union competitor, Wegmans, has opened five stores in our trading area. We expect Wegmans to continue to open additional locations in our marketing area in the future. Additionally, another non-union operator, Wal-Mart, is expected to open Super Centers, which include extensive food operations, in our trading area.

Certain categories of selling, general and administrative expenses have increased disproportionately in comparison to our sales growth and to inflation in the last three years. We have experienced substantial increases in employee health and pension costs under union contracts and for non-union associates. Additionally, the cost of utilities to operate our stores increased dramatically in fiscal 2004. This trend has continued in fiscal 2005.

We look at a variety of indicators to evaluate our performance, such as same store sales; sales per store; sales per selling square foot; percentage of total sales by department; shrink by department and store; departmental gross profit margins; sales per man hour; hourly labor rates; and percent of overtime.

Critical Accounting Policies and Estimates  
-----

Critical accounting policies are those accounting policies that management believes are important to the portrayal of the Company's financial condition and results and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at 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. The Company's critical accounting policies relating

## Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

to the impairment of goodwill, inventory valuation, patronage dividends earned as a stockholder of Wakefern, pension plans and workers' compensation insurance are described in the Company's Annual Report on Form 10-K for the year ended October 30, 2004. As of January 29, 2005 there have been no material changes to any of the critical accounting policies contained therein.

10

### Financial Condition and Liquidity

---

The Company is a party to a Third Amended and Restated Revolving Credit and Term Loan Agreement (the "Credit Agreement") with four financial institutions. The Credit Agreement serves as our primary funding source for working capital and capital expenditures. The Credit Agreement is secured by substantially all of the Company's assets and provided for a total commitment of up to \$80,000,000, including a revolving credit facility (the "Revolving Note") of up to \$35,000,000, a term loan ("the Term Loan") in the amount of \$25,000,000 and a capital expenditures facility (the "Capex Facility") of up to \$20,000,000. As of January 29, 2005 the Company owed \$13,750,000 on the Term Loan and \$20,000,000 under the Capex Facility.

The Company's compliance with the major financial covenants under the Credit Agreement was as follows as of January 29, 2005:

---

Financial Covenant	Credit Agreement	Actual (As defined in the Credit Agreement)
Adjusted EBITDA (1)	Greater than \$26,000,000	\$ 27,318,000
Leverage Ratio (1) (2)	Less than 3.0 to 1.00	2.34 to 1.00
Debt Service Coverage Ratio (3)	Greater than 1.10 to 1.00	1.79 to 1.00
Adjusted Capex (4)	Less than \$4,117,000 (5) (7)	\$ 1,272,000 (6)
Store Project Capex	Less than \$27,269,000 (5) (7)	\$ 75,000 (6)

---

- (1) Excludes obligations under capitalized leases, interest expense and depreciation expense attributable to capitalized leases, non-cash write downs and changes in the LIFO reserve.
- (2) The Leverage Ratio is calculated by dividing the current and non-current portions of Long-Term Debt and Long-Term Debt Related Party by Adjusted EBITDA.
- (3) The Debt Service Coverage Ratio is calculated by dividing Operating Cash Flow by the sum of adjusted net interest expense, which excludes interest on capitalized leases, the current provision for income taxes and regularly scheduled principal payments, which exclude principal payments on capitalized leases. Operating Cash Flow is calculated by subtracting amounts expended for property and equipment which are not used for projects in excess of \$500,000 (\$286,000 in the first quarter of fiscal 2005) from Adjusted EBITDA.
- (4) Adjusted Capex is all capital expenditures other than New/Replacement

## Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

Store Project Capex.

- (5) Represents limitations on capital expenditures for fiscal 2005. For fiscal 2005 the Company has budgeted \$8,117,000 for capital expenditures. Any unused amounts available under the Credit Agreement will be carried forward to future periods.
- (6) Represents capital expenditures for fiscal 2005.
- (7) Includes amounts available but not used in the prior fiscal year and available to be carried forward to fiscal 2005: \$117,000 for Adjusted Capex and \$1,251,000 for Store Project Capex.

No cash dividends have been paid on the Common Stock since 1979, and the Company has no present intentions or ability to pay any dividends in the near future on its Common Stock. The Credit Agreement does not permit the payment of any cash dividends on our Common Stock.

11

### Working Capital

-----

At January 29, 2005, the Company had a working capital deficiency of \$4,606,000 as compared to working capital of \$4,294,000 at October 30, 2004 and a working capital deficiency of \$8,343,000 at January 31, 2004. Since the end of fiscal 2004, working capital declined and a deficiency was created as a result of the collection of related party receivables from Wakefern related to the fiscal 2004 patronage dividend receivable and the increase in related party accounts payable to Wakefern resulting from increased sales and the deferral of payment for Wakefern promotional programs. Funds used to pay these accounts payable will come from the revolving credit facility thereby increasing the Revolving Note which is classified as long-term borrowings. This will result in a corresponding increase in working capital.

The Company normally requires small amounts of working capital since inventory is generally sold at approximately the same time that payments to Wakefern and other suppliers are due and most sales are for cash or cash equivalents.

Working capital ratios were as follows:

January 29, 2005	.95 to 1.0
October 30, 2004	1.05 to 1.0
January 31, 2004	.90 to 1.0

Cash flows (in millions) were as follows:

	Thirteen Weeks Ended	
	1/29/05	1/31/04
Operating activities	\$ 13.2	\$ 18.9
Investing activities	(.6)	(4.5)
Financing activities	(12.3)	(13.5)
	-----	-----
Totals	\$ .3	\$ .9
	=====	=====

## Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

The Company had \$13,172,000 of available credit, at January 29, 2005, under its revolving credit facility. The Company has no capital commitments for leasehold improvements or equipment as of January 29, 2005. The amounts available under the Credit Agreement will adequately meet our operating needs, scheduled capital expenditures and debt service for fiscal 2005.

For the 13 weeks ended January 29, 2005 depreciation was \$5,494,000 while capital expenditures totaled \$1,347,000, compared to \$4,685,000 and \$5,119,000, respectively, in the prior year period. The increase in depreciation was the result of depreciation for the equipment and leasehold improvements for the two new locations opened in fiscal 2004 as well as the additional capitalized real estate lease and the modified capitalized real estate lease related to these locations. Capital expenditures in the first quarter of fiscal 2005 decreased as compared to capital expenditures in the first quarter of fiscal 2004 when two new locations were under construction and the remodeling and expansion of the East Brunswick New Jersey location was substantially completed.

12

The following table summarizes our contractual obligations at January 29, 2005, and the effect such obligations are expected to have on liquidity and cash flow in future periods.

Payments Due By Period					
	Total	Less Than 1 Year	2-3 Years	4-5 Years	After 5 Years
Contractual Obligations	Total	1 Year	2-3 Years	4-5 Years	After 5 Years
(Dollars In Thousands)					
Long-term debt	\$ 59,730	\$ 8,956	\$24,351	\$ 26,423	\$ -
Interest on Long Term Debt (1)	14,295	4,345	7,035	2,915	
Related party debt, non interest bearing	4,243	925	1,804	998	516
Capital lease obligations (2)	350,296	15,957	31,470	31,768	271,101
Operating leases (2)	61,723	9,679	15,492	11,687	24,865
Other Liabilities (3)	4,614	1,043	698	1,249	1,624
Purchase obligations - leaseholds and equipment	-	-	-	-	-
Lease commitments - stores under construction	-	-	-	-	-
Total	\$ 494,901	\$40,905	\$80,850	\$75,040	\$298,106

(1) Includes interest expense at estimated interest rates of 6.50% to 7.50% on variable rate debt of \$54,311 and interest expense at interest rates of 6.20% to 6.44% on fixed rate debt of \$5,419.

(2) Lease obligation figures do not include insurance, common area maintenance charges and real estate taxes for which the Company is obligated.

(3) Other liabilities include estimated unfunded pension liabilities, and estimated post-retirement and post-employment obligations based on

## Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

available actuarial data.

Results of Operations (13 weeks ended January 29, 2005 compared to 13 weeks  
----- ended January 31, 2004)

Sales:  
-----

Sales for the current period totaled \$317.6 million as compared to \$293.8 million in the prior year period. This represents an increase of 8.1%. Sales for the current quarter included the operations of the new locations opened in April and May 2004 in Lawrenceville and Aberdeen, New Jersey, respectfully, as well as the location in Bordentown, New Jersey purchased from Wakefern in June 2004. The location in Aberdeen replaced an older, smaller store in the same location.

Same store sales from the twenty three stores in operation in both periods increased .3%. Comparable store sales increases were partially offset by decreased sales in certain of the Company's stores affected by competitive store openings and the impact from the opening of our new locations.

Gross Profit:  
-----

Gross profit as a percent of sales decreased to 25.2% in the first quarter of fiscal 2005 compared to 25.9% for the comparable period in fiscal 2004. Cost of goods sold includes the costs of inventory sold and the related purchase,

13

inbound freight and distribution costs including those costs charged by Wakefern for operation of warehouses, distribution and delivery of product to our stores. Vendor allowances and rebates and Wakefern patronage dividends are reflected as a reduction of cost of goods sold. Any costs to us related to other services which Wakefern provides are not included in cost of goods sold.

Patronage dividends, applied as a reduction of the cost of goods sold, were \$2.5 million in the current year period compared to \$2.4 million in the prior year period.

The decrease in gross profit was the result of programs implemented in certain of the Company's stores to address competitive store openings (.36%) and an increase in shrink (.36%). Shrink is the difference between expected gross profit, based on the difference between the cost and expected selling price of merchandise purchased, and actual gross profit. Shrink results from theft, spoilage, breakage, mark ups and mark downs.

Operating Expenses:  
-----

Selling, general and administrative expenses totaled \$75.1 million in the first quarter of fiscal 2005 compared to \$70.5 million for the comparable period in fiscal 2004. Selling, general and administrative expenses as a percent of sales were 23.6% versus 24.0% in the prior year period. Decreases in labor and administration and an increase in miscellaneous income were partially offset by increases in fringe benefits, depreciation and occupancy costs. Although labor decreased as a percent of sales, labor expense increased from \$28,212,000 to \$29,389,000. The decrease in labor as a percent of sales was due to improved efficiency in the locations opened in fiscal 2003 and the increase in labor expense was due to two additional locations, the replacement of a smaller store and the enlargement of an additional location in fiscal 2004. Administration decreased as several components increased at a slower rate than the increase in sales and the incentive compensation accrual for administrative personnel

## Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

decreased based upon operating results for the current quarter. Administration costs declined from \$5,184,000 to \$4,769,000. The increase in miscellaneous income was due to increased baling and coupon handling income. Miscellaneous income increased from \$549,000 to \$778,000. The increase in fringe benefits was the result of contractual increases. Fringe benefits increased from \$12,215,000 to \$13,733,000. Depreciation increased as the result of the purchase of equipment and leasehold improvements for two new locations opened during 2004 in Lawrenceville and Aberdeen, New Jersey, the completion in January 2004 of the expansion and remodeling of the East Brunswick store, the remodeling of the Neptune location in October 2004 and the purchase of the Bordentown, New Jersey location in June 2004, as well as the addition of one new capitalized real estate lease and the increase in obligations under a capitalized real estate lease for a replacement store. Depreciation increased from \$4,685,000 to \$5,494,000. The increase in occupancy costs was primarily the result of increases in utility costs, real estate tax expense and common area maintenance expense. Occupancy increased from \$8,958,000 to \$10,070,000.

As a percentage of sales, labor decreased .35%, administration decreased .26% and miscellaneous income increased .05%. These decreases were partially offset by an increase in fringe benefits of .16%, depreciation, including depreciation on capitalized leases, of .14% and occupancy of .12%.

### Interest Expense:

-----

Interest expense increased to \$4,660,000 from \$3,784,000, while interest income was \$36,000 compared to \$27,000 for the prior year period. The increase in interest expense for the current year period was due to a net increase in average outstanding debt, including capitalized lease obligations, and an increase in the average interest rate paid on debt.

14

### Income Taxes:

-----

An income tax rate of 38% has been used in both the current and the prior year periods. The tax rate used is based on the expected effective tax rates.

### Net Income:

-----

Net income was \$253,000 in the current year period compared to \$1,240,000 in the prior year period. Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the current period were \$10,737,000 as compared to \$10,569,000 in the prior year period. Net income per common share on a diluted basis was \$.24 in the current year period compared to \$1.22 in the prior year period. Per share calculations are based on 1,035,753 shares outstanding in the current year period and 1,013,049 shares outstanding in the prior year period.

EBITDA is presented because management believes that EBITDA is a useful supplement to net income and other measurements under accounting principles generally accepted in the United States since it is a meaningful measure of a company's performance and ability to meet its future debt service requirements, fund capital expenditures and meet working capital requirements. EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States and should not be considered as an alternative to (i) net income (or any other measure of performance under generally accepted accounting principles) as a measure of performance or (ii) cash flows from operating, investing or financing activities as an indicator of cash flows or as a measure of liquidity. The following table reconciles reported net income to EBITDA:

## Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

	Thirteen Weeks Ended	
	January 29, 2005	January 31, 2004
	-----	-----
Net income	\$ 253,000	\$ 1,240,000
Add:		
Interest expense, net	4,624,000	3,757,000
Income tax provision	155,000	760,000
Depreciation	5,494,000	4,685,000
Amortization	211,000	127,000
	-----	-----
EBITDA	\$10,737,000	\$10,569,000
	=====	=====

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

-----

Except for indebtedness under the Credit Agreement, which is variable rate financing, the balance of our indebtedness is fixed rate financing. We believe that our exposure to market risk relating to interest rate risk is not material. The Company believes that its business operations are not exposed to market risk relating to foreign currency exchange risk, commodity price risk or equity price risk.

### Item 4. Controls and Procedures

-----

As required by Rule 13a-15 under the Exchange Act, as of the end of the period covered by this quarterly report, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of the Company's management, including the Company's President and Chief Executive Officer along with the Company's Chief Financial Officer,

15

who concluded that the Company's disclosure controls and procedures are effective. The Company's Director of Internal Audit and Principal Accounting Officer also participated in this evaluation. During the Company's last fiscal quarter, there has been no significant change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in 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 Company reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

### PART II OTHER INFORMATION

-----



Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

Item 6. Exhibits  
-----

- Exhibit 31.1 Section 302 Certification of Chief Executive Officer
- Exhibit 31.2 Section 302 Certification of Chief Financial Officer
- Exhibit 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
- Exhibit 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350

16

SIGNATURES  
-----

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FOODARAMA SUPERMARKETS, INC.  
-----

(Registrant)

Date: March 14, 2005

/S/ MICHAEL SHAPIRO  
-----

(Signature)

Michael Shapiro  
Senior Vice President,  
Chief Financial Officer

Date: March 14, 2005

/S/ THOMAS H. FLYNN  
-----

(Signature)

Thomas H. Flynn

Vice President,  
Principal Accounting Officer

17

EXHIBIT 31.1

CERTIFICATION

I, Richard J. Saker, certify that:

1. I have reviewed this report on Form 10-Q of Foodarama Supermarkets, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

## Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2005

/s/ RICHARD J. SAKER

-----  
(Signature)

Richard J. Saker

Chief Executive Officer

18

EXHIBIT 31.2

### CERTIFICATION

I, Michael Shapiro, certify that:

1. I have reviewed this report on Form 10-Q of Foodarama Supermarkets, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the

Edgar Filing: FOODARAMA SUPERMARKETS INC - Form 10-Q

period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2005

/s/ MICHAEL SHAPIRO

-----  
(Signature)

Michael Shapiro  
Chief Financial Officer

19

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Foodarama Supermarkets, Inc. (the "Company") on Form 10-Q for the period ended January 29, 2005 (the "Report"), I, Richard J. Saker, Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Report fully complies with the requirements of ss. 13(a) or 15(d) of the Securities Exchange Act of 1934, 15 U.S.C. ss. 78m(a) or 78o(d), and,
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 11, 2005

/s/ RICHARD J. SAKER

-----  
(Signature)

Richard J. Saker  
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Foodarama Supermarkets, Inc. (the "Company") on Form 10-Q for the period ended January 29, 2005 (the "Report"), I, Michael Shapiro, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C.ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Report fully complies with the requirements of ss. 13(a) or 15(d) of the Securities Exchange Act of 1934, 15 U.S.C. ss. 78m(a) or 78o(d), and,
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 11, 2005

/s/ MICHAEL SHAPIRO

-----  
(Signature)

Michael Shapiro  
Chief Financial Officer