FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1999-07-27** | Period of Report: **1999-06-12**
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BIG V SUPERMARKETS INC

CIK:**12105**| IRS No.: **141459448** | State of Incorp.:**NY** | Fiscal Year End: **1226**
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SIC: **5411** Grocery stores

Mailing Address
BIG V SUPERMARKETS INC
176 NORTH MANIN STREET
FLORIDA NY

Business Address
176 N MAIN ST
FLORIDA NY 10921
9146514411

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

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

For the quarterly period ended June 12, 1999

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 1-6814

BIG V SUPERMARKETS, INC.
(Exact name of registrant as specified in its charter)

NEW YORK	14-1459448
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
176 North Main Street, Florida, New York	10921
(Address of principal executive offices)	(Zip Code)

(914) 651-4411
(Registrant's telephone number, including area code)

Not applicable.
(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 x No

Shares of Common Stock outstanding as of July 26, 1999: 1,000 shares

This quarterly report on Form 10-Q is being filed voluntarily and shall not be deemed to be subject to Section 18 of the Securities Exchange Act of 1934.

BIG V SUPERMARKETS, INC.
FORM 10-Q FOR THE 12-WEEKS ENDED JUNE 12, 1999

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BIG V SUPERMARKETS, INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(In Thousands)

<TABLE>
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	UNAUDITED			
	Twelve Weeks Ended June 12, 1999	Twelve Weeks Ended June 13, 1998	Twenty-Four Weeks Ended June 12, 1999	Twenty-Four Weeks Ended June 13, 1998
<S>	<C>	<C>	<C>	<C>
SALES	$ 192,711	$ 184,765	$ 383,408	$ 367,002
COSTS AND EXPENSES:				
Cost of Sales (exclusive of depreciation and amortization shown separately below)	141,427	135,993	281,558	271,013
Selling, general and administrative	40,718	38,442	82,402	77,371
Depreciation and amortization	3,840	3,755	7,590	7,356
Interest expense, net of interest income of $109 and $44 for the 12-week periods and $211 and $111 for the 24-week periods ended June 12, 1999 and June 13, 1998, respectively	5,244	5,497	10,365	10,714
Total costs and expenses	191,229	183,687	381,915	366,454
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY CHARGE	1,482	1,078	1,493	548
INCOME TAX EXPENSE	1,013	511	1,202	321
INCOME BEFORE EXTRAORDINARY CHARGE	469	567	291	227
EXTRAORDINARY CHARGE, net of tax benefit of $246	-	-	547	-
NET INCOME (LOSS)	$ 469	$ 567	$ (256)	$ 227

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See notes to unaudited consolidated financial statements.

BIG V SUPERMARKETS, INC.

CONSOLIDATED BALANCE SHEETS
(In Thousands)

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<S>	(UNAUDITED) JUNE 12, 1999 <C>	DECEMBER 26, 1998/1/ <C>
ASSETS		
CURRENT ASSETS:		
Cash	$ 18,296	$ 15,674
Accounts receivable	10,910	11,941
Inventories	37,388	35,493
Refundable income taxes	-	630
Prepaid expenses and other current assets	3,229	2,282
Asset Held for Sale	4,629	4,482
Total current assets	74,452	70,502
PROPERTY AND EQUIPMENT - At cost, less accumulated depreciation and amortization of $91,707 at June 12, 1999 and $85,756 at December 26, 1998	54,739	57,521
GOODWILL - Less accumulated amortization of $15,867 at June 12, 1999 and $14,938 at December 26, 1998	63,442	64,371
INVESTMENT IN WAKEFERN FOOD CORPORATION	13,173	13,173
WAKEFERN WAREHOUSE AGREEMENT - Less accumulated amortization of $8,751 at June 12, 1999 and $8,273 at December 26, 1998	32,617	33,095
OTHER ASSETS	10,533	9,002
TOTAL ASSETS	$248,956	$247,664
LIABILITIES AND STOCKHOLDER'S DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 41,512	$ 43,822
Accrued expenses and taxes other than income taxes	14,403	16,825
Income taxes payable	572	-
Deferred income taxes	6,377	6,213
Current portion of long-term debt	8,405	12,499
Current portion of capitalized lease obligations	893	808
Total current liabilities	72,162	80,167
OTHER LONG-TERM LIABILITIES	10,132	10,056
LONG-TERM DEBT - Less current portion	164,047	153,342
CAPITALIZED LEASE OBLIGATIONS - Less current portion	24,770	25,228
DEFERRED INCOME TAXES	5,600	6,070
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDER'S DEFICIT		
Common stock, par value, $1.00 per share; authorized, 1,000 shares; issued, 1,000 shares	1	1
Paid-in capital	8,105	8,405
Accumulated deficit	(35,861)	(35,605)

Total stockholder's deficit	(27,755)	(27,199)
TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIT	$248,956	$247,664

</TABLE>

/1/ Taken from the audited consolidated financial statements for the year ended December 26, 1998.

See notes to unaudited consolidated financial statements.

BIG V SUPERMARKETS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

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	UNAUDITED	
	Twenty-Four Weeks Ended June 12, 1999	Twenty-Four Weeks Ended June 13, 1998
<S>	<C>	<C>
CASH BALANCE, BEGINNING OF PERIOD	$ 15,674	$13,498
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	(256)	227
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	7,590	7,356
Amortization of deferred debt costs	(349)	540
Write-off of unamortized deferred financing costs	793	-
Amortization of discount on debt	49	52
Noncash rent expense	521	688
Deferred income taxes	(306)	63
Changes in assets and liabilities:		
Decrease in accounts receivable	1,031	3,310
(Increase) decrease in inventories	(1,895)	2,140
Decrease in refundable income taxes	630	339
Increase in prepaid expenses	(1,026)	(1,043)
Increase in asset held for sale	(147)	-
Decrease (increase) in other assets	532	(664)
Decrease in accounts payable	(2,310)	(4,136)
(Decrease) increase in accrued expenses	(2,422)	174
Increase in income taxes payable	572	-
Decrease in other long-term liabilities	(445)	(650)
Net cash provided by operating activities	2,562	8,396
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of property and equipment	(3,324)	(5,738)
Proceeds from the sale of store equipment	2	5
Increase in investment in Wakefern Food Corp.	-	(40)
Net cash used in investing activities	(3,322)	(5,773)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	60,000	65
Proceeds from revolver borrowings	-	3,500
Principal payments on long-term debt	(50,438)	(6,800)
Payments on revolver borrowings	(3,000)	-
Financing fees in connection with new senior debt	(2,507)	-
Principal payments on capital lease obligations	(373)	(286)
Return of capital to Holding	(300)	-
Net cash provided by (used in) financing activities	3,382	(3,521)
NET INCREASE (DECREASE) IN CASH	2,622	(898)

CASH BALANCE, END OF PERIOD	$ 18,296	$12,600
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 10,290	$ 9,966
Income taxes	$ 10	$ 19

</TABLE>

See notes to unaudited consolidated financial statements.

BIG V SUPERMARKETS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying interim consolidated financial statements as of and for the period ended June 12, 1999, included herein, 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 of Regulation S-X promulgated by the Securities and Exchange Commission. The balance sheet at December 26, 1998 has been taken from the audited financial statements as of that date. In the opinion of management, the consolidated financial statements include all adjustments, which consist only of normal recurring adjustments necessary for a fair presentation of operating results for the interim periods.

Certain financial information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. Accordingly, reference is made to the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 26, 1998. Operating results for the periods presented are not necessarily indicative of the results for the entire fiscal year.

2. Income Taxes

Income taxes are based on the estimated effective tax rate expected to be applicable for the full fiscal year in accordance with Accounting Standards Board Opinion No. 28, "Interim Financial Reporting".

3. Preopening Costs

Effective December 27, 1998, the Company adopted Statement of Position (SOP) No. 98-5, Reporting on the Costs of Start-Up Activities, which requires the costs associated with start-up activities, such as opening a store, be expensed as incurred. There was no financial statement impact related to the adoption of this SOP.

4. Extraordinary Charge

On January 14, 1999 the Company refinanced its existing Credit Agreement ("Agreement") by entering into a new Bank Credit Agreement ("New Agreement") with different lenders. The Company repaid amounts due under the Agreement prior to their scheduled maturity dates and recognized an extraordinary after-tax charge of $547,000 as a result of writing-off unamortized deferred financing costs associated with the Agreement.

ITEM 2.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Basis of Presentation

The following discussion of the Company's financial condition and results of operations should be read in conjunction with the unaudited financial statements and notes thereto included elsewhere in this Form 10-Q.

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<S>	12-Weeks Ended June 12, 1999 <C>	12-Weeks Ended June 13, 1998 <C>	24-Weeks Ended June 12, 1999 <C>	24-Weeks Ended June 13, 1998 <C>
Income Statement Data:				
Sales..	100.0%	100.0%	100.0%	100.0%
Gross margin...................................	26.6	26.4	26.6	26.2
Selling, general and administrative.............	21.1	20.8	21.5	21.1
EBITDA (1).....................................	5.6	5.6	5.2	5.1
Depreciation and amortization....................	2.0	2.0	2.0	2.0
Interest, net..................................	2.7	3.0	2.7	2.9
Income (Loss) before income taxes and extraordinary charge..	0.8	0.6	0.4	0.2
Income tax expense.............................	0.5	0.3	0.3	0.1
Income before extraordinary charge...............	0.3	0.3	0.1	0.1
Extraordinary charge............................	0.0	0.0	0.2	0.0
Net income (loss)...............................	0.3%	0.3%	(0.1)%	0.1%
Other Data (in millions):				
EBITDA..	$ 10.7	$ 10.3	$ 19.8	$ 18.8
Net cash provided by operating activities........	$ 6.6	$ 12.5	$ 2.6	$ 8.4
Net cash used in investing activities...........	$ (2.6)	$ (2.2)	$ (3.3)	$ (5.8)
Net cash (used in) provided by financing activities........................	$ (2.5)	$ (9.1)	$ 3.4	$ (3.5)

</TABLE>

(1) EBITDA represents earnings before interest expense, depreciation and amortization, including noncash losses on the sale of property, plant and equipment, income taxes and LIFO provision/credit. EBITDA is a widely accepted financial indicator of a company's ability to service and/or incur debt, and also represents a primary debt covenant of the Company. Noncompliance with this covenant would represent a default under the Company's debt agreements which could subject the Company to debt acceleration if not waived or amended. EBITDA should not be construed as an alternative to, or a better indicator of, operating income (as determined in accordance with generally accepted accounting principles) or to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) and should not be construed as an indication of the Company's operating performance or as a measure of liquidity.

Results of Operations

12 and 24-Weeks Ended June 12, 1999 Compared to 12 and 24-Weeks Ended June 13, 1998

Sales

For the 12 and 24-week periods ended June 12, 1999, total store sales were

$192.7 million and $383.4 million, respectively. Sales for the comparable periods ended June 13, 1998 totaled $184.8 million and $367.0 million, respectively.

Total and same store sales increased 4.3% for the quarter ended June 12, 1999, as compared to the prior year. For the 24-week period ended June 12, 1999 total and same store sales increased 4.5% and 3.5%, respectively, as compared to the same period of the prior year.

The increase in total store sales was attributable to sustained growth across the chain partially offset by several competitive openings.

Gross Margin

Gross margin, as a percentage of sales, was 26.6% for both the 12 and 24-week periods ended June 12, 1999, respectively. Gross margin for the comparable periods ended June 13, 1998, was 26.4% and 26.2%, respectively. The margin increase was the result of improvements in nonperishable selling margins partially offset by planned margin reductions in certain perishable departments.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were 21.1% of sales for the 12-week period ended June 12, 1999 and 20.8% for the comparable prior year period. The increase was attributable to additional equipment rental cost, higher advertising and administrative payroll.

Selling, general and administrative expenses, as a percentage of sales, were .4% higher for the 24-week period ended June 12, 1999, compared to the same period of the prior year. The year-to-date increase was attributable to the items discussed above.

EBITDA

EBITDA increased 3.9% to $10.7 million for the 12-week period ended June 12, 1999, compared to $10.3 million for the comparable prior year period. The quarterly EBITDA increase was due to the aforementioned improvements in gross profit partially offset by increases in selling, general and administrative expenses. For the 24-week period ended June 12, 1999, EBITDA increased 5.3% to $19.8 million compared to $18.8 million for the comparable prior year period.

Depreciation and Amortization

Depreciation and amortization, as a percentage of sales, was 2.0% for the 12 and 24-week periods ended June 12, 1999 and June 13, 1998. The consistent rate represents an absolute dollar increase of $0.1 million and $0.2 million for the 12 and 24-week periods ended June 12, 1999 compared to the prior year. The increase was due to incremental depreciation from several major remodels completed during 1999.

Interest, net

Interest, net, decreased $0.3 million, or .3% of sales for the 12-week period ended June 12, 1999, compared to the prior year period. The decrease was due to scheduled principal payments, lower deferred financing cost amortization and increased interest income resulting from $6.2 million of cash in escrow for the future payment of junior subordinated debt. For the 24-week period ended June 12, 1999 interest, net, decreased $0.3 million or .2% of sales.

Net Income (Loss)

Net income was $0.5 million and $0.6 million for the 12-week periods ended June 12, 1999 and June 13, 1998, respectively. The decrease in net income in the current quarter was attributable to a higher income tax expense. Net loss for the 24-week period ended June 12, 1999 was $0.3 million compared to net income of $0.2 million for the same period of the prior year. The decrease in net income for the 24-week period was attributable to the extraordinary write-off of unamortized deferred financing costs from the Company's old senior debt.

Liquidity and Capital Resources

The Company completed a $60 million debt refinancing on January 14, 1999. This enabled the Company to pay its existing senior debt of $46.7 million and revolver borrowings of $3.0 million. All other mandatory principal payments required by the various debt agreements were paid during the 12 and 24-week periods ended June 12, 1999.

The Company had a working capital ratio of 1.0:1 at June 12, 1999 and .9:1 at December 26, 1998. The Company typically requires small amounts of working capital since inventory is generally sold prior to the time payments to Wakefern Food Corp. and other suppliers are due. The Company's primary source of liquidity during the 12-weeks ended June 12, 1999 was cash flow generated through operations supplemented by revolver usage.

Net cash provided by operating activities was $2.6 million and $8.4 million for the 24-week periods ended June 12, 1999 and June 13, 1998, respectively. The decrease in net cash provided by operating activities during the current period was primarily due to an increase in inventory levels and the prior year collection of several large accounts receivable balances.

Net cash used in investing activities was $3.3 million and $5.8 million for the 24-week periods ended June 12, 1999 and June 13, 1998, respectively. The decrease from the prior year resulted from the opening of the Company's new store in Mt. Vernon, New York in the

first quarter of 1998 and capital spending in 1999 being concentrated in the second half of the year.

Net cash provided by financing activities was $3.4 million for the 24-week period ended June 12, 1999 compared to net cash used in financing activities of $3.5 million in the comparable prior year period. The increase in cash provided by financing activities was due to the refinancing of the Company's senior debt.

For the 52 weeks ending December 25, 1999, the Company projects its major uses of cash will be as follows: (i) cash interest payments (including capitalized leases) of $23.1 million; (ii) capital expenditures of $15.0 million; and (iii) scheduled debt and capital lease payments of $13.3 million (including the non-recourse demand note payable solely from the proceeds of the sale of the Company's Baldwin Place Shopping Center located in Somers, New York). Management believes operating cash flow combined with borrowings under the bank revolving credit facility will be sufficient to meet the Company's operating needs, scheduled capital expenditures and will enable the Company to service its debt in accordance with its terms.

The new Bank Credit Agreement ("New Agreement") provides for a $25.0 million revolving credit facility. No borrowings were outstanding as of June 12, 1999, however, $6.4 million was used from this facility for letters of credit and bonding purposes. The New Agreement requires the Company to meet certain financial covenants, including maximum amounts of annual capital expenditures, minimum fixed charge coverage ratios, maximum leverage ratios and minimum amounts of consolidated net worth. The Company complied with all of its financial covenants as of June 12, 1999 and management believes the Company will remain in compliance for the next twelve months.

Year 2000 Issues

Most of the Company's key business processes (such as product procurement, product delivery, inventory identification, retail sales and financial information reporting) depend on computer based systems. For this reason and the information technology (IT) interrelationships between Big V Supermarkets, Inc. and Wakefern Food Corporation ("Wakefern"), the Company has participated with Wakefern in a comprehensive assessment of its business exposure relative to the Year 2000 issue (Y2K). The assessment covers both IT and other environment (Non-IT) systems to identify the potential areas affected by Y2K.

The Company and Wakefern have assessed all systems for Y2K readiness, giving the highest priority to those IT systems that are considered critical to its business operations. Wakefern provides all of the Company's financial, general ledger and payroll applications and a majority of the Company's processing services. Some in-store IT system are currently Y2K compliant. Others, including receiving and labor management are at various stages of remediation or testing. The Company anticipates all critical IT systems will be Y2K compliant before the end of 1999.

The Company has completed an inventory of its Non-IT systems, which includes those systems containing embedded chip technology commonly found in buildings and related equipment. Remediation required for the Non-IT systems will be performed throughout 1999.

The Company and Wakefern are utilizing the necessary internal and external resources to replace, upgrade or modify all significant systems affected by Y2K. The total estimated costs to remediate the Y2K issue will not have a significant adverse affect on income from operations.

The Company has established a Contingency Planning Committee. To date, high level contingency plans have been developed for all mission critical business processes. The Company anticipates it will have a fully developed contingency plan by September 1, 1999.

Although the Company does not expect Y2K issues to have a material adverse impact on the Company's business as a result of the aforementioned comments, the Company's Y2K compliance is dependent upon key business partners (primarily Wakefern) also being Y2K compliant on a timely basis. Accordingly, there can be no guarantee the Company's overall efforts will prevent a material adverse impact on the Company's future results of operations, financial condition and cash flows. The possible consequences to the Company of not being fully Y2K compliant include temporary supermarket closings, delays in the receipt of merchandise, errors in product ordering or acquisition and other financial transactions and the inability to efficiently process customer purchases. In addition, business disruptions could result from the loss of power or the loss of communication (satellite, phone or other) among supermarkets, Wakefern and the Company's corporate offices. However, the Company believes established contingency plans supplemented by Wakefern's available resources will help to minimize the impact of any isolated disruptions.

Forward-Looking Statements

Other than statements of historical fact, all statements included in this Form 10-Q, including the statements under Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations", are, or may be considered forward-looking information, as defined in the Private Securities Litigation Reform Act of 1995. Examples of such statements in this report include those concerning the Year 2000 issue, projected cash outlays for interest, principal payments, and capital expenditures. The Company cautions the reader there is no assurance actual results or business conditions will not differ materially from those forward-looking statements whether expressed, suggested or implied as a result of various factors. Such factors include, but are not limited to, increased competitive pressures from existing competitors and new entrants, general or regional economic conditions, interest rate environment and its affect on the Company's cost of capital, the liquidity of the Company on a cash flow basis (including the Company's ability to comply with the financial covenants of all applicable credit agreements), the success of operating initiatives including the ability to control various expense categories, and other risk factors detailed herein and in other filings of the Company.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 2. Changes in Securities

Not applicable.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

27 Financial Data Schedule

(b) Reports on Form 8-K

Not applicable.

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.

BIG V SUPERMARKETS, INC.

Date: July 27, 1999

/s/ James A. Toopes, Jr.

James A. Toopes, Jr.,
Vice Chairman, Chief Financial and Administrative Officer

Date: July 27, 1999

/s/ John Onufer, Jr.

John Onufer, Jr.,
Vice President-Finance

Date: July 27, 1999

/s/ Anthony J. Moccio

Anthony J. Moccio
Controller

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