

GREAT ATLANTIC & PACIFIC TEA CO INC
Form 10-Q
October 28, 2011

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 September 10, 2011

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 1-4141

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or
organization)

13-1890974
(I.R.S. Employer
Identification No.)

2 Paragon Drive
Montvale, New Jersey 07645
(Address of principal executive offices)

Registrant's telephone number, including area code: 201-573-9700

Securities registered pursuant to Section 12 (b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock - \$1 par value	OTC Markets, Inc.
9.375% Notes, due August 1, 2039	OTC Markets, Inc.

Securities registered pursuant to Section 12 (g) of the Act: None

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes [x] 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 x _____
Smaller reporting company _____

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by section 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes [] No []

The number of shares of common stock outstanding as of the close of business on October 21, 2011 was 53,852,470.

PART I – FINANCIAL INFORMATION

ITEM 1 – Financial Statements

The Great Atlantic & Pacific Tea Company, Inc.
(Debtors-in-Possession)
Consolidated Statements of Operations
(Dollars in thousands, except share and per share amounts)
(Unaudited)

	12 Weeks Ended		28 Weeks Ended	
	Sept. 10, 2011	Sept. 11, 2010	Sept. 10, 2011	Sept. 11, 2010
Sales	\$ 1,638,694	\$ 1,918,279	\$ 3,869,340	\$ 4,483,209
Cost of merchandise sold	(1,183,264)	(1,354,931)	(2,790,591)	(3,155,193)
Gross margin	455,430	563,348	1,078,749	1,328,016
Store operating, general and administrative expense	(506,902)	(631,224)	(1,295,629)	(1,452,240)
Goodwill, trademark and long-lived asset impairment	(24,124)	(30,250)	(79,542)	(35,648)
Loss from continuing operations before nonoperating income, interest expense, net and reorganization items, net	(75,596)	(98,126)	(296,422)	(159,872)
Nonoperating income	8	2,177	91	10,454
Interest expense, net	(37,829)	(46,126)	(86,283)	(107,268)
Reorganization items, net	17,148	-	95,026	-
Loss from continuing operations before income taxes	(96,269)	(142,075)	(287,588)	(256,686)
(Provision for) benefit from income taxes	(1,562)	(105)	13,088	(245)
Loss from continuing operations	(97,831)	(142,180)	(274,500)	(256,931)
Discontinued operations:				
Loss from operations of discontinued businesses, net of income tax benefit of \$1,464 and \$2,606 for the 12 and 28 weeks ended September 10, 2011, respectively, and \$0 for the 12 and 28 weeks ended September 11, 2010, respectively	(2,022)	(10,853)	(1,225)	(17,968)
Gain on disposal of discontinued operations, net of income tax provision of \$0 for the 12 and 28 weeks ended September 10, 2011 and September 11, 2010, respectively	-	-	-	79
Reorganization items, net of income tax provision of \$7 and \$14,368 for the 12 and 28 weeks ended September 10, 2011, respectively, and \$0 for the 12 weeks and 28 weeks ended September 11, 2010, respectively	8	-	19,841	-
(Loss) income from discontinued operations	(2,014)	(10,853)	18,616	(17,889)
Net loss	\$ (99,845)	\$ (153,033)	\$ (255,884)	\$ (274,820)
Net (loss) income per share – basic:				
Continuing operations	\$ (1.84)	\$ (2.72)	\$ (5.15)	\$ (4.98)
Discontinued operations	(0.04)	(0.21)	0.35	(0.33)
Net loss per share – basic	\$ (1.88)	\$ (2.93)	\$ (4.80)	\$ (5.31)

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Net (loss) income per share – diluted:								
Continuing operations	\$	(1.84)	\$	(2.75)	\$	(5.15)	\$	(14.64)
Discontinued operations		(0.04)		(0.19)		0.35		(0.94)
Net loss per share – diluted	\$	(1.88)	\$	(2.94)	\$	(4.80)	\$	(15.58)
Weighted average common shares outstanding:								
Basic		53,852,470		53,778,502		53,852,470		53,618,284
Diluted		53,852,470		56,970,721		53,852,470		18,949,997

See Notes to Consolidated Financial Statements.

The Great Atlantic & Pacific Tea Company, Inc.
(Debtors-in-Possession)
Consolidated Statements of Stockholders' Deficit and Comprehensive Loss
(Dollars in thousands, except share amounts)
(Unaudited)

28 Weeks Ended September	Common Stock		Additional	Accumulated	Accumulated	Total
	Shares	Amount	Paid-in	Other		Deficit
10, 2011			Capital	Loss	Deficit	Deficit
Balance at 2/26/2011, as previously reported	53,852,470	\$53,852	\$511,157	\$ (75,309)	\$ (1,630,664)	\$ (1,140,964)
Retrospective change in accounting principle for inventory valuation	-	-	-	-	11,329	11,329
Balance at 2/26/2011, as adjusted	53,852,470	53,852	511,157	(75,309)	(1,619,335)	(1,129,635)
Net loss	-	-	-	-	(255,884)	(255,884)
Beneficial conversion feature accretion on preferred stock	-	-	(2,591)	-	-	(2,591)
Preferred stock financing fees amortization	-	-	(936)	-	-	(936)
Other share based awards	-	-	1,991	-	-	1,991
Other comprehensive loss	-	-	-	(875)	-	(875)
Balance at 09/10/2011	53,852,470	\$53,852	\$509,621	\$ (76,184)	\$ (1,875,219)	\$ (1,387,930)
28 Weeks Ended September 11, 2010						
Balance at 2/27/2010, as previously reported	55,868,129	\$55,868	\$526,421	\$ (79,403)	\$ (1,032,089)	\$ (529,203)
Retrospective change in accounting principle for inventory valuation	-	-	-	-	9,285	9,285
Balance at 2/27/2010, as adjusted	55,868,129	55,868	526,421	(79,403)	(1,022,804)	(519,918)
Net loss	-	-	-	-	(274,820)	(274,820)
Beneficial conversion feature accretion on preferred stock	-	-	(2,591)	-	-	(2,591)
Dividends on preferred stock	-	-	(7,400)	-	-	(7,400)
Preferred stock financing fees amortization	-	-	(936)	-	-	(936)
Stock options exercised	4,834	5	23	-	-	28
Other share based awards	407,451	407	(581)	-	-	(174)
	-	-	-	380	-	380

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Other comprehensive income					
Balance at 09/11/2010	56,280,414	\$56,280	\$514,936	\$ (79,023)	\$ (1,297,624) \$ (805,431)

Comprehensive Loss	12 Weeks Ended		28 Weeks Ended	
	Sept. 10, 2011	Sept. 11, 2010	Sept. 10, 2011	Sept. 11, 2010
Net loss	\$(99,845)	\$(153,033)	\$(255,844)	\$(274,820)
Pension and other postretirement benefits, net of tax of \$0 and \$1,719 for the 12 and 28 weeks ended September 10, 2011, respectively, and \$0 for the 12 and 28 weeks ended September 11, 2010, respectively	361	128	(875)	380
Other comprehensive income (loss), net of tax	361	128	(875)	380
Total comprehensive loss	\$(99,484)	\$(152,905)	\$(256,759)	\$(274,440)

See Notes to Consolidated Financial Statements.

The Great Atlantic & Pacific Tea Company, Inc.
 (Debtors-in-Possession)
 Consolidated Balance Sheets
 (Dollars in thousands, except share and per share amounts)
 (Unaudited)

	Sept. 10, 2011	February 26, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 301,569	\$ 352,607
Restricted cash	4,180	1,731
Accounts receivable, net of allowance for doubtful accounts of \$5,371 and \$5,554 at September 10, 2011 and February 26, 2011, respectively	167,241	209,966
Inventories, net	398,586	452,289
Prepaid expenses and other current assets	42,989	36,329
Total current assets	914,565	1,052,922
Non-current assets:		
Property:		
Property owned, net	982,994	1,163,853
Property under capital leases, net	57,470	63,346
Property, net	1,040,464	1,227,199
Goodwill	110,412	110,412
Intangible assets, net	118,513	124,288
Other assets	156,351	141,357
Total assets	\$ 2,340,305	\$ 2,656,178
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current portion of long-term debt	\$ 350,000	\$ -
Current portion of obligations under capital leases	4,031	-
Current portion of real estate liabilities	607	-
Accounts payable	152,893	119,245
Book overdrafts	16,841	23,722
Accrued salaries, wages and benefits	99,570	109,428
Accrued taxes	35,896	26,175
Other accruals	79,753	65,048
Total current liabilities	739,591	343,618
Non-current liabilities:		
Long-term debt	-	350,000
Long-term obligations under capital leases	47,288	-
Long-term real estate liabilities	184,837	-
Deferred real estate income	16,758	-
Other non-current liabilities	123,557	74,162
Total liabilities not subject to compromise	1,112,031	767,780
Liabilities subject to compromise	2,469,399	2,874,734
Total liabilities	3,581,430	3,642,514
Series A redeemable preferred stock – no par value, \$1,000 redemption value; authorized – 700,000		
	146,805	143,299

shares; issued - 179,020 shares at September 10, 2011 and February 26, 2011, respectively

Commitments and contingencies (Refer to Note 20)

Stockholders' deficit:

Common stock – \$1 par value; authorized – 260,000,000 shares; issued and outstanding – 53,852,470 shares at September 10, 2011 and February 26, 2011, respectively	53,852	53,852
Additional paid-in capital	509,621	511,157
Accumulated other comprehensive loss	(76,184)	(75,309)
Accumulated deficit	(1,875,219)	(1,619,335)
Total stockholders' deficit	(1,387,930)	(1,129,635)
Total liabilities and stockholders' deficit	\$ 2,340,305	\$ 2,656,178

See Notes to Consolidated Financial Statements.

The Great Atlantic & Pacific Tea Company, Inc.
 (Debtors-in-Possession)
 Consolidated Statements of Cash Flows
 (Dollars in thousands)
 (Unaudited)

	28 Weeks Ended	
	Sept. 10, 2011	Sept. 11, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (255,884)	\$ (274,820)
Adjustments to reconcile net loss to net cash used in operating activities (see next page)	151,393	195,938
Other changes in assets and liabilities:		
Decrease in receivables	54,646	17,534
Decrease (increase) in inventories	37,590	(7,209)
Increase in prepaid expenses and other current assets	(11,960)	(7,560)
Increase in other assets	(14,549)	(2,799)
(Decrease) increase in accounts payable	(9,662)	13,319
(Decrease) increase in accrued salaries, wages and benefits, and taxes	(2,238)	2,308
Increase in other accruals	80,169	5,917
Decrease in other non-current liabilities	(74,003)	(36,952)
Other operating activities, net	129	(99)
Payments for reorganization items	(23,984)	