

UNITED NATURAL FOODS INC

Form 10-Q

March 10, 2016

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 30, 2016

OR

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

Commission File Number: 000-21531

UNITED NATURAL FOODS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

313 Iron Horse Way, Providence, RI

(Address of Principal Executive Offices)

05-0376157

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

02908

(Zip Code)

Registrant's Telephone Number, Including Area Code: (401) 528-8634

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 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 (§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 ☒ 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.

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Large accelerated filer ☒ x

Accelerated filer ☐ _

Non-accelerated filer ☐ _

Smaller reporting company ☐ _

(Do not check if a 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 ☒ x

As of February 29, 2016 there were 50,332,050 shares of the registrant's Common Stock, \$0.01 par value per share, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

UNITED NATURAL FOODS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(In thousands, except per share amounts)

	January 30, 2016	August 1, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$12,482	\$17,380
Accounts receivable, net of allowance of \$11,193 and \$7,489, respectively	455,831	474,494
Inventories	941,509	982,559
Prepaid expenses and other current assets	61,340	46,976
Deferred income taxes	32,333	32,333
Total current assets	1,503,495	1,553,742
Property & equipment, net	562,631	572,452
Goodwill	265,230	266,640
Intangible assets, net of accumulated amortization of \$29,117 and \$25,717, respectively	122,087	125,830
Other assets	33,575	31,526
Total assets	\$2,487,018	\$2,550,190
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$356,768	\$390,134
Accrued expenses and other current liabilities	139,656	129,113
Current portion of long-term debt	11,711	11,613
Total current liabilities	508,135	530,860
Notes payable	275,766	362,993
Long-term debt, excluding current portion	168,894	174,780
Deferred income taxes	64,273	65,644
Other long-term liabilities	28,494	30,380
Total liabilities	1,045,562	1,164,657
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, \$0.01 par value, authorized 5,000 shares; none issued or outstanding	—	—
Common stock, \$0.01 par value, authorized 100,000 shares; 50,331 issued and outstanding shares at January 30, 2016; 50,096 issued and outstanding shares at August 1, 2015	503	501
Additional paid-in capital	430,074	420,584
Accumulated other comprehensive loss	(25,826)	(19,443)
Retained earnings	1,036,705	983,891
Total stockholders' equity	1,441,456	1,385,533
Total liabilities and stockholders' equity	\$2,487,018	\$2,550,190

The accompanying notes are an integral part of the condensed consolidated financial statements.

UNITED NATURAL FOODS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)

(In thousands, except per share data amounts)

	Three months ended		Six months ended	
	January 30, 2016	January 31, 2015	January 30, 2016	January 31, 2015
Net sales	\$2,047,712	\$2,016,546	\$4,124,361	\$4,009,022
Cost of sales	1,750,194	1,717,347	3,512,906	3,390,827
Gross profit	297,518	299,199	611,455	618,195
Operating expenses	253,830	249,448	511,054	509,496
Restructuring and asset impairment expenses	1,985	248	4,794	803
Total operating expenses	255,815	249,696	515,848	510,299
Operating income	41,703	49,503	95,607	107,896
Other expense (income):				
Interest expense	3,602	3,554	7,350	6,809
Interest income	(398)	(69)	(550)	(162)
Other, net	757	(5)	930	611
Total other expense, net	3,961	3,480	7,730	7,258
Income before income taxes	37,742	46,023	87,877	100,638
Provision for income taxes	15,059	18,179	35,063	39,752
Net income	\$22,683	\$27,844	\$52,814	\$60,886
Basic per share data:				
Net income	\$0.45	\$0.56	\$1.05	\$1.22
Weighted average basic shares of common stock outstanding	50,326	50,025	50,260	49,957
Diluted per share data:				
Net income	\$0.45	\$0.55	\$1.05	\$1.21
Weighted average diluted shares of common stock outstanding	50,388	50,277	50,351	50,195

The accompanying notes are an integral part of the condensed consolidated financial statements.

UNITED NATURAL FOODS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

(In thousands)

	Three months ended		Six months ended	
	January 30, 2016	January 31, 2015	January 30, 2016	January 31, 2015
Net income	\$22,683	\$27,844	\$52,814	\$60,886
Other comprehensive loss, net of tax:				
Change in fair value of swap agreements	(949	) —	(1,939	) —
Foreign currency translation adjustments	(4,505	) (9,330	) (4,444	) (11,892
Total other comprehensive loss, net of tax	(5,454	) (9,330	) (6,383	) (11,892
Total comprehensive income	\$17,229	\$18,514	\$46,431	\$48,994

The accompanying notes are an integral part of the condensed consolidated financial statements.

UNITED NATURAL FOODS, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (unaudited)

(In thousands)

	Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balances at August 1, 2015	50,096	\$501	\$420,584	\$ (19,443)	\$983,891	\$1,385,533
Stock option exercises and restricted stock vestings, net of tax	235	2	(433)			(431)
Share-based compensation			9,424			9,424
Other			67			67
Tax benefit associated with stock plans			432			432
Fair value of swap agreements, net of tax				(1,939)		(1,939)
Foreign currency translation				(4,444)		(4,444)
Net income					52,814	52,814
Balances at January 30, 2016	50,331	\$503	\$430,074	\$ (25,826)	\$1,036,705	1,441,456

The accompanying notes are an integral part of the condensed consolidated financial statements.

UNITED NATURAL FOODS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(In thousands)	Six months ended	
	January 30, 2016	January 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$52,814	\$60,886
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	32,847	29,657
Share-based compensation	9,424	9,554
Loss (gain) on disposals of property and equipment	415	(779)
Excess tax benefits from share-based payment arrangements	(432)	(2,661)
Restructuring and asset impairment	480	803
Deferred income taxes	—	(6,052)
Provision for doubtful accounts	4,832	2,302
Non-cash interest (income) expense	(102)	129
Changes in assets and liabilities, net of acquired businesses:		
Accounts receivable	12,577	(50,753)
Inventories	39,130	(92,525)
Prepaid expenses and other assets	(16,729)	(22,217)
Accounts payable	(16,589)	20,146
Accrued expenses and other liabilities	5,944	(1,389)
Net cash provided by (used in) operating activities	124,611	(52,899)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(20,472)	(56,163)
Purchases of acquired businesses, net of cash acquired	(31)	(7,987)
Proceeds from disposals of property and equipment	57	840
Long-term investment	—	(3,000)
Net cash used in investing activities	(20,446)	(66,310)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings of long-term debt	—	150,000
Repayments of long-term debt	(5,788)	(5,539)
Proceeds from borrowings under revolving credit line	214,549	438,293
Repayments of borrowings under revolving credit line	(301,243)	(488,156)
(Decrease) increase in bank overdraft	(16,480)	33,666
Proceeds from exercise of stock options	1,172	3,202
Payment of employee restricted stock tax withholdings	(1,603)	(2,163)
Excess tax benefits from share-based payment arrangements	432	2,661
Capitalized debt issuance costs	—	(900)
Net cash (used in) provided by financing activities	(108,961)	131,064
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(102)	(497)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,898)	11,358
Cash and cash equivalents at beginning of period	17,380	16,116
Cash and cash equivalents at end of period	\$12,482	\$27,474
Supplemental disclosures of cash flow information:		
Non-cash financing activity	\$—	\$12,383
Non-cash investing activity	\$—	\$12,383
Cash paid for interest	\$7,891	\$6,868

Cash paid for federal and state income taxes, net of refunds	\$46,896	\$57,471
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The accompanying notes are an integral part of the condensed consolidated financial statements.

UNITED NATURAL FOODS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

January 30, 2016 (unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Business

United Natural Foods, Inc. and its subsidiaries (the "Company") is a leading distributor and retailer of natural, organic and specialty products. The Company sells its products primarily throughout the United States and Canada.

(b) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial information, including the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and note disclosures normally required in complete financial statements prepared in conformity with accounting principles generally accepted in the United States have been condensed or omitted. In the Company's opinion, these condensed consolidated financial statements include all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. The results of operations for interim periods, however, may not be indicative of the results that may be expected for a full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended August 1, 2015.

Net sales consist primarily of sales of natural, organic and specialty products to retailers, adjusted for customer volume discounts, returns and allowances. Net sales also include amounts charged by the Company to customers for shipping and handling and fuel surcharges. The principal components of cost of sales include the amounts paid to manufacturers and growers for product sold, plus the cost of transportation necessary to bring the product to the Company's distribution facilities. Cost of sales also includes amounts incurred by the Company's manufacturing subsidiary, United Natural Trading LLC, which does business as Woodstock Farms Manufacturing, for inbound transportation costs and depreciation of manufacturing equipment offset by consideration received from suppliers in connection with the purchase or promotion of the suppliers' products. Operating expenses include salaries and wages, employee benefits (including payments under the Company's Employee Stock Ownership Plan prior to the termination of the plan in the quarter ended January 31, 2016), warehousing and delivery, selling, occupancy, insurance, administrative, share-based compensation and amortization expense. Operating expenses also include depreciation expense related to the wholesale and retail divisions. Other expense (income) includes interest on outstanding indebtedness, interest income and miscellaneous income and expenses.

As noted above, the Company includes shipping and handling fees billed to customers in net sales. Shipping and handling costs associated with inbound freight are generally recorded in cost of sales, whereas shipping and handling costs for selecting, quality assurance, and outbound transportation are recorded in operating expenses. Outbound shipping and handling costs, including allocated employee benefit expenses, totaled \$112.8 million and \$112.7 million for the three months ended January 30, 2016 and January 31, 2015, respectively. Outbound shipping and handling costs, including allocated employee benefit expenses, totaled \$227.4 million and \$224.7 million for the six months

ended January 30, 2016 and January 31, 2015, respectively.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-2, Leases (Topic 842), which will require companies as the lessee to recognize lease assets and liabilities for leases formerly classified as operating leases. The ASU is effective for public companies with interim and annual periods in fiscal years beginning after December 15, 2018, which for the Company will be the first quarter of the fiscal year ending August 1, 2020. We are in the process of evaluating the impact that this new guidance will have on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-1, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Liabilities, which will change the income statement impact of equity investments, and the recognition of changes in fair value of financial liabilities with the fair value option is elected. The ASU is effective for public companies with interim and annual periods in fiscal years beginning after December 15, 2017, which for the Company will be the first quarter of the fiscal year ending August 3, 2019. We do not expect the adoption of this guidance to have a significant impact on the Company's consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes, which requires entities with a classified balance sheet to present all deferred tax assets and liabilities as noncurrent. The new pronouncement is effective for public companies with annual periods, and interim periods within those periods, beginning after December 15, 2016, which for the Company will be the first quarter of the fiscal year ending July 28, 2018. Early adoption at the beginning of an interim or annual period is permitted. The adoption of this standard is not expected to impact the Company's consolidated financial statements other than the change in presentation of deferred tax assets and liabilities within its consolidated balance sheets.

In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers, (Topic 606): Deferral of the Effective Date deferring the adoption of previously issued guidance published in May 2014, ASU No. 2014-09, Revenue from Contracts with Customers, (Topic 606). The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new pronouncement is effective for public companies with annual periods, and interim periods within those periods, beginning after December 15, 2017, which for the Company will be the first quarter of the fiscal year ending August 3, 2019. We are in the process of evaluating the impact that this new guidance will have on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30) ("ASU 2015-03"), which simplifies the presentation of debt issuance costs. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with the presentation of debt discounts. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, which for the Company will be the first quarter of the fiscal year ending July 29, 2017, with early adoption permitted and retrospective application required. If the Company had adopted this standard in the second quarter of fiscal 2016, the result would have been the reclassification of \$3.7 million and \$4.2 million as of January 30, 2016 and August 1, 2015, respectively, from deferred financing costs to long-term debt in our condensed consolidated balance sheets.

In August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The new guidance requires management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures as appropriate. The new pronouncement is effective for public companies with annual periods ending after December 15, 2016, and interim periods thereafter. We do not expect the adoption of this guidance to have a significant impact on the Company's

consolidated financial statements.

3. RESTRUCTURING ACTIVITIES AND ASSET IMPAIRMENTS

2016 Cost-Saving Measures

During the fourth quarter of fiscal 2015, the Company announced that its contract as a distributor to Albertsons Companies, Inc., which includes the Albertsons, Safeway and Eastern Supermarket chains, terminated on September 20, 2015 rather than upon the original contract end date of July 31, 2016. During the first six months of fiscal 2016, the Company implemented Company-wide cost-saving measures in response to this lost business.

The various cost-saving measures implemented in the first half of fiscal 2016 resulted in total restructuring costs of \$1.6 million and \$4.4 million, recorded during the three and six months ended January 30, 2016, respectively. These initiatives resulted in a reduction of employees, the majority of which were terminated during the first quarter of fiscal 2016, across the Company. The total work-force reduction charge of \$1.2 million and \$3.4 million during the three and six months ended January 30, 2016, respectively, was primarily related to severance and fringe benefits. The Company also delayed filling vacant positions during the first half of fiscal 2016. Any additional costs related to severance and fringe benefits in the remainder of fiscal 2016 related to these cost-saving measures are expected to be immaterial. In addition to workforce reduction charges, the Company recorded \$0.4 million and \$0.9 million during the three and six months ended January 30, 2016, respectively, for costs due to an early lease termination and facility closure and operational transfer costs associated with these initiatives.

The following is a summary of the restructuring costs the Company recorded in the first six months of fiscal 2016, as well as the remaining liability as of January 30, 2016 (in thousands):

	Restructuring Costs	Cash Payments	Restructuring Cost Liability as of January 30, 2016
Severance	\$3,443	\$(1,641)	) \$1,802
Early lease termination and facility closing costs	368	(368)	) —
Operational transfer costs	570	(570)	) —
Total	\$4,381	\$(2,579)	) \$1,802

The Company anticipates that the remaining liability related to the workforce reduction will be substantially paid by the end of fiscal 2016.

Canadian Facility Closure

During fiscal 2015, the Company ceased operations at its Canadian facility located in Scotstown, Quebec which was acquired in 2010. In connection with this closure, the Company recognized restructuring and impairment charges of \$0.2 million and \$0.8 million during the three and six months ended January 31, 2015, respectively. During the second quarter of fiscal 2016, the Company recognized additional impairment of \$0.4 million related to the long lived assets at the facility.

4. EARNINGS PER SHARE

The following is a reconciliation of the basic and diluted number of shares used in computing earnings per share (in thousands):

	Three months ended		Six months ended	
	January 30, 2016	January 31, 2015	January 30, 2016	January 31, 2015
Basic weighted average shares outstanding	50,326	50,025	50,260	49,957
Net effect of dilutive stock awards based upon the treasury stock method	62	252	91	238
Diluted weighted average shares outstanding	50,388	50,277	50,351	50,195

There were 171,296 and 1,456 anti-dilutive share-based awards outstanding for the three months ended January 30, 2016 and January 31, 2015, respectively. For the six months ended January 30, 2016 and January 31, 2015, there were 100,957 and 8,336 anti-dilutive share-based awards outstanding, respectively. These anti-dilutive share-based awards were excluded from the calculation of diluted earnings per share.

5. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Interest Rate Swap Agreement

On January 23, 2015, the Company entered into a forward starting interest rate swap agreement with an effective date of August 3, 2015. The agreement provides for the Company to pay interest for a seven-year period at a fixed rate of 1.795% on an initial amortizing principal amount of \$140.0 million while receiving interest for the same period at the one-month London Interbank Offered Rate ("LIBOR") on the same notional amount. The interest rate swap has been entered into as a hedge against LIBOR movements on the current variable rate related to the Company's real-estate backed Term Loan Agreement entered into on August 14, 2014, explained in more detail in Note 7 "Long-Term Debt," to protect against rising interest rates. We expect that the interest rate swap will effectively fix the Company's interest rate payments on the \$140.0 million of debt for the term of the swap. The swap agreement qualifies as an "effective" hedge under FASB Accounting Standards Codification ("ASC") 815, Derivatives and Hedging ("ASC 815").

Interest rate swap agreements are entered into for periods consistent with related underlying exposures and do not constitute positions independent of those exposures. The Company's interest rate swap agreement is designated as a cash flow hedge at January 30, 2016 and is reflected at fair value in the Condensed Consolidated Balance Sheet.

The Company uses the "Hypothetical Derivative Method" described in ASC 815 for quarterly prospective and retrospective assessments of hedge effectiveness, as well as for measurements of hedge ineffectiveness. Under this method, the Company assesses the effectiveness of each hedging relationship by comparing the changes in cash flows of the derivative hedging instrument

with the changes in cash flows of the designated hedged transactions. The effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (outside of earnings) and subsequently reclassified to earnings in interest income when the hedged transactions affect earnings. Ineffectiveness resulting from the hedge is recorded as a gain or loss in the condensed consolidated statement of income as part of other income. The Company did not have any hedge ineffectiveness recognized in earnings during the three and six months ended January 30, 2016. The Company also monitors the risk of counterparty default with respect to its interest rate swap agreement on an ongoing basis.

Fuel Supply Agreements

The Company is party to several fixed price fuel supply agreements. As of the second quarter of fiscal 2016, the Company had entered into an agreement which requires it to purchase a portion of its diesel fuel each month at fixed prices through December 2016. These fixed price fuel agreements qualify for, and the Company has elected to utilize, the “normal purchase” exception under ASC 815 as physical deliveries will occur rather than net settlements, and therefore the fuel purchases under these contracts are expensed as incurred and included within operating expenses. During the six months ended January 31, 2015, the Company was a party to several similar agreements which required it to purchase a portion of its diesel fuel each month at fixed prices through December 2015 and which also qualified and were accounted for using the “normal purchase” exception under ASC 815, and therefore the fuel purchases under those contracts were also expensed as incurred and included within operating expenses.

Financial Instruments

The following table provides the fair value hierarchy for financial assets and liabilities measured on a recurring basis as of January 30, 2016 and August 1, 2015:

(In thousands)	Fair Value at January 30, 2016			Fair Value at August 1, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Liabilities:						
Interest Rate Swap	—	\$(3,963)	) —	—	\$(726)	) —

The fair value of the Company’s other financial instruments including cash, cash equivalents, accounts receivable, notes receivable, accounts payable and certain accrued expenses approximate carrying amounts due to the short-term nature of these instruments. The Company believes its credit risk is similar to the overall market and variable rates have not moved significantly since it initiated the underlying borrowings therefore the fair value of notes payable approximate carrying amounts.

The following estimated fair value amounts for long-term debt have been determined by the Company using available market information and appropriate valuation methodologies including the discounted cash flow method, taking into account the instruments’ interest rate, terms, maturity date and collateral, if any, in comparison to market rates for similar financial instruments and are, therefore, deemed Level 2 inputs. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

(In thousands)	January 30, 2016		August 1, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities:				
Long-term debt, including current portion	\$180,605	\$185,536	\$186,393	\$192,679

6. BUSINESS SEGMENTS

The Company has several operating divisions aggregated under the wholesale segment, which is the Company's only reportable segment. These operating divisions have similar products and services, customer channels, distribution methods and historical margins. The wholesale segment is engaged in the national distribution of natural, organic and specialty foods, produce and related products in the United States and Canada. The Company has additional operating divisions that do not meet the quantitative thresholds for reportable segments and are therefore aggregated under the caption of "Other." "Other" includes a retail division, which engages in the sale of natural foods and related products to the general public through retail storefronts on the east coast of the United States, a manufacturing division, which engages in importing, roasting, packaging, and distributing of nuts, dried fruit, seeds, trail mixes, granola, natural and organic snack items and confections, and the Company's branded product lines. "Other" also includes certain corporate operating expenses that are not allocated to operating divisions and are necessary to operate the Company's headquarters located in Providence, Rhode Island, which include depreciation, salaries, retainers, and other related

expenses of officers, directors, corporate finance (including professional services), information technology, governance, legal, human resources and internal audit. As the Company continues to expand its business and serve its customers through a new national platform, these corporate expense amounts have increased, which is the primary driver behind the increasing operating losses within the “Other” category below. Non-operating expenses that are not allocated to the operating divisions are under the caption of “Unallocated Expenses.” The Company does not record its revenues for financial reporting purposes by product group, and it is therefore impracticable for the Company to report them accordingly.

The following table reflects business segment information for the periods indicated (in thousands):

	Wholesale	Other	Eliminations	Unallocated	Consolidated
Three months ended January 30, 2016:					
Net sales	\$2,029,351	\$53,685	\$(35,324)	\$—	\$2,047,712
Restructuring and asset impairment expenses	1,492	493	—	—	1,985
Operating income (loss)	47,802	(6,702)	603	—	41,703
Interest expense	—	—	—	3,602	3,602
Interest income	—	—	—	(398)	(398)
Other, net	—	—	—	757	757
Income before income taxes					37,742
Depreciation and amortization	15,472	671	—	—	16,143
Capital expenditures	12,175	709	—	—	12,884
Goodwill	247,499	17,731	—	—	265,230
Total assets	2,300,915	203,962	(17,859)	—	2,487,018
Three months ended January 31, 2015:					
Net sales	\$1,997,058	\$48,157	\$(28,669)	\$—	\$2,016,546
Restructuring and asset impairment expenses	248	—	—	—	248
Operating income (loss)	57,351	(9,198)	1,350	—	49,503
Interest expense	—	—	—	3,554	3,554
Interest income	—	—	—	(69)	(69)
Other, net	—	—	—	(5)	(5)
Income before income taxes					46,023
Depreciation and amortization	14,989	510	—	—	15,499
Capital expenditures	27,733	1,058	—	—	28,791
Goodwill	249,992	17,731	—	—	267,723
Total assets	2,319,514	202,553	(11,177)	—	2,510,890

	Wholesale	Other	Eliminations	Unallocated	Consolidated
Six months ended January 30, 2016:					