



SpartanNash Co (SPTN)

Updated February 18th, 2024 by Quinn Mohammed

Key Metrics

Current Price:	\$21	5 Year CAGR Estimate:	9.7%	Market Cap:	\$717 M
Fair Value Price:	\$22	5 Year Growth Estimate:	5.0%	Ex-Dividend Date¹:	03/15/2024
% Fair Value:	95%	5 Year Valuation Multiple Estimate:	1.1%	Dividend Payment Date¹:	03/29/2024
Dividend Yield:	4.2%	5 Year Price Target	\$28	Years Of Dividend Growth:	13
Dividend Risk Score:	B	Retirement Suitability Score:	A	Rating:	Hold

Overview & Current Events

SpartanNash is a value-added wholesale grocery distributor and retailer. The corporation supplies 2,100 independent grocery retail locations in the United States. The company itself also owns 144 supermarkets. SpartanNash operates under retail banners such as Family Fare, Martin's Super Markets and D&W Fresh Market, to name a few. The company is also a distributor of grocery products to U.S. military commissaries. The food distribution company has a market capitalization of \$717 million and trades on the NYSE under the ticker symbol SPTN. SPTN is headquartered in Grand Rapids, Michigan. The company employs roughly 17,000 associates.

The SpartanNash company was formed as a merger between Spartan Stores and the Nash Finch Company in November 2013. The Nash Finch company started as a family-owned business in 1885. Spartan Stores was created in 1917 when 100 independent retailers grouped together to purchase products in bulk and pass along savings to the customers. In 2017, SpartanNash acquired Caito Foods, a company specializing in fresh produce distribution and certain assets from Blue Ribbon Transport, a managed freight, and logistics solutions company.

SpartanNash reported fourth quarter 2023 results on February 15th, 2024. Net sales of \$2.25 billion was a 2.8% decrease from \$2.31 billion in the same prior year period. Adjusted earnings from continuing operations increased by 25% year-over-year to \$0.35 per share and Adjusted EBITDA rose 14% year-over-year to \$53.6 million.

The net long-term debt to adjusted EBITDA ratio rose sequentially from 2.1X to 2.3X during the quarter, while long-term debt and finance lease liabilities increased by \$91.9 million in 2023.

Leadership initiated its guidance for fiscal 2024 and expects to see total net sales of around \$9.80 billion, up from \$9.73 billion in 2023. Adjusted EPS is expected to come in between \$1.85 to \$2.10 for 2024, compared to \$2.18 in 2023.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Adj. EPS	\$1.80	\$1.98	\$2.19	\$2.10	\$1.87	\$1.10	\$2.45	\$2.08	\$2.33	\$2.18	\$1.99	\$2.54
DPS	\$0.48	\$0.54	\$0.60	\$0.66	\$0.72	\$0.76	\$0.77	\$0.80	\$0.84	\$0.86	\$0.86	\$1.10
Shares ²	37.0	37.0	37.5	36.5	36.0	26.4	35.9	36.1	35.9	34.7	34.0	38.0

SpartanNash's adjusted earnings per share have demonstrated a fairly consistent track record of long-term growth. Over the last nine and five years, SPTN has increased adjusted earnings-per-share by 2.2% and 3.1% on average. Going forward, we believe the company can safely expect adjusted EPS to grow by 5.0% per year. This increase in earnings will support 5.0% annual growth in the dividend over the next five years as well, which is consistent with the company's nine and five-year average annual dividend growth rates of 6.7% and 2.5%, respectively.

The corporation aims to drive growth, increase efficiencies, and reduce costs. The COVID-19 pandemic increased customer demand for the food distribution business. The company has long-term targets set for fiscal 2025, which sees adjusted EBITDA of over \$300 million and net sales of more than \$10.5 billion. Initiatives to achieve these targets include

¹ Estimate

² In millions

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increasing sales through customer acquisition and continued expansion into value-add offerings, and achieving savings between \$125 million to \$150 million during fiscal 2021 through fiscal 2025 through its supply chain and merchandising transformation initiatives.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Avg. P/E	12.4	14.4	13.3	14.3	11.1	13.1	7.1	10.0	13.4	11.1	10.4	11.0
Avg. Yld.	2.1%	1.9%	2.1%	2.2%	3.5%	5.3%	4.4%	3.8%	2.5%	3.6%	4.2%	3.9%

Historically, in the past nine and five years, SPTN has traded for 12.0 and 10.9 times adjusted earnings on average. SpartanNash’s current price-to-adjusted earnings multiple is below its historical average. We peg fair value for the business at 11.0 times adjusted earnings. As a result, we forecast a tailwind to total returns over the next five years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

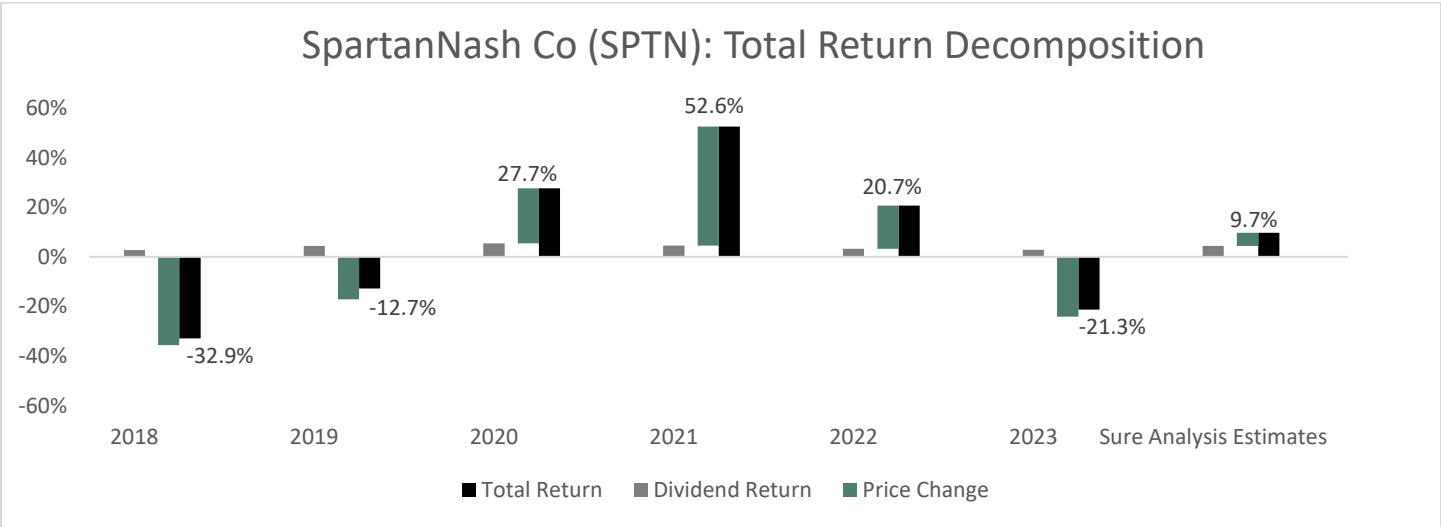
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	27%	27%	27%	31%	39%	69%	31%	38%	36%	39%	43%	43%

The company’s payout ratio has steadily crept up to sit at around 43% of adjusted earnings in 2024. As a result, we expect future dividend growth to come in lower than it has historically. We forecast that dividend growth will continue, and the dividend does not appear to be under threat. During the great financial crisis, earnings fell roughly 25% from start to end, but the company was still highly profitable. People need to eat, and the food business is essential despite the economic climate, so SPTN has some built-in recession resiliency. Throughout the crisis, the payout was never at risk. The company’s competitive advantage is its unique business model of food distribution, retail, and military operations which allows for leveraging efficiencies of each segment, and at the same time supports the ability of its independent retailers to compete in the grocery industry long-term.

Final Thoughts & Recommendation

SpartanNash has a unique history spanning over a century, and a unique business model which promotes high operating efficiencies in the grocery business. We believe shares are currently trading at 95% of fair value and offer 9.7% annualized total returns over the next five years, thus we rate SPTN as a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	7,916	7,652	7,561	7,964	8,065	8,536	9,348	8,931	9,643	9,729
Gross Profit	1,156	1,116	1,111	1,145	1,110	1,244	1,425	1,404	1,497	1,486
Gross Margin	14.6%	14.6%	14.7%	14.4%	13.8%	14.6%	15.2%	15.7%	15.5%	15.3%
SG&A Exp.	1022	976	963	1,015	997	1,172	1,298	1,288	1,428	1,366
D&A Exp.	88	85	79	84	83	88	90	93	94	
Operating Profit	134	140	148	130	113	71	127	116	70	119
Operating Margin	1.7%	1.8%	2.0%	1.6%	1.4%	0.8%	1.4%	1.3%	0.7%	1.2%
Net Profit	59	63	57	-53	34	6	76	74	35	52
Net Margin	0.7%	0.8%	0.8%	-0.7%	0.4%	0.1%	0.8%	0.8%	0.4%	0.5%
Free Cash Flow	49	143	83	-18	100	105	239	82	13	89
Income Tax	31	37	33	-79	7	-2	9	25	12	18

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,932	1,917	1,930	2,056	1,972	2,276	2,277	2,207	2,307	2,356
Cash & Equivalents	6	23	24	16	19	24	20	11	29	18
Accounts Receivable	266	282	253	312	315	321	337	328	376	422
Inventories	577	521	540	597	554	537	542	522	571	575
Goodwill & Int. Ass.	355	386	383	313	308	312	297	292	289	284
Total Liabilities	1,185	1,126	1,105	1,334	1,256	1,588	1,542	14,24	1,540	1,577
Accounts Payable	320	354	372	377	358	405	465	447	487	473
Long-Term Debt	570	487	431	750	698	689	486	406	504	597
Shareholder's Equity	747	791	825	722	716	688	735	783	766	778
LTD/E Ratio	0.76	0.62	0.52	1.04	0.98	1.00	0.66	0.52	0.66	0.77

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	3.0%	3.3%	3.0%	-2.7%	1.7%	0.3%	3.3%	3.3%	1.5%	2.2%
Return on Equity	8.1%	8.2%	7.0%	-6.8%	4.7%	0.8%	10.7%	9.7%	4.5%	6.8%
ROIC	4.5%	4.8%	4.5%	-3.9%	2.3%	0.4%	5.8%	6.1%	2.8%	4.0%
Shares Out.	37.0	37.0	37.5	36.5	36.0	26.4	35.9	35.9	36.3	34.9
Revenue/Share	213.58	206.45	204.95	216.57	228.93	241.41	267.27	253.24	265.56	278.77
FCF/Share	1.32	3.87	2.25	-0.49	2.84	2.98	6.84	2.32	0.36	2.56

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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