SUPERVALU INC
Form 10-K
April 24, 2018
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended February 24, 2018
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: 1-5418

SUPERVALU INC.
(Exact name of registrant as specified in its charter)

DELAWARE	41-0617000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
11840 VALLEY VIEW ROAD EDEN PRAIRIE, MINNESOTA	55344
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (952) 828-4000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
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 ý 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 ý No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated

filer” and “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨ Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark if the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of September 8, 2017 was approximately $750,406,810 (based upon the closing price of registrant’s Common Stock on the New York Stock Exchange).

As of April 20, 2018, there were 38,405,453 shares of the registrant’s common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of registrant’s definitive Proxy Statement filed for the registrant’s 2018 Annual Meeting of Stockholders are incorporated by reference into Part III, as specifically set forth in Part III.

Table of Contents

SUPERVALU INC.
Annual Report on Form 10-K
TABLE OF CONTENTS

Table of Contents

CAUTIONARY STATEMENTS FOR PURPOSES OF THE SAFE HARBOR PROVISIONS OF THE SECURITIES LITIGATION REFORM ACT

Any statements contained in this Annual Report on Form 10-K regarding the outlook for Supervalu's businesses and their respective markets, such as projections of future performance, guidance, statements of Supervalu's plans and objectives, forecasts of market trends and other matters, are forward-looking statements based on Supervalu's assumptions and beliefs. Such statements may be identified by such words or phrases as "will likely result," "are expected to," "will continue," "may continue," "outlook," "is anticipated," "estimate," "project," "believes," "intends" or simil expressions. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those discussed in such statements and no assurance can be given that the results in any forward-looking statement will be achieved. For these statements, Supervalu claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Any forward-looking statement speaks only as of the date on which it is made, and Supervalu disclaims any obligation to subsequently revise any forward-looking statement to reflect events or circumstances after such date or to reflect the occurrence of anticipated or unanticipated events.

Certain factors could cause Supervalu's future results to differ materially from those expressed or implied in any forward-looking statements contained in this Annual Report on Form 10-K. These factors include the factors discussed in Part I, Item 1A of this Annual Report on Form 10-K under the heading "Risk Factors" and any other cautionary statements, written or oral, which may be made or referred to in connection with any such forward-looking statements. Since it is not possible to foresee all such factors, these factors should not be considered as complete or exhaustive.

PART I

ITEM 1. BUSINESS

SUPERVALU INC., a Delaware corporation, was organized in 1925 as the successor to two wholesale grocery firms established in the 1870s. Unless otherwise indicated, all references to "Supervalu," "we," "us," "our," "ourselves" and the "Company" in this Annual Report on Form 10-K relate to SUPERVALU INC. and its wholly and majority-owned subsidiaries. All dollar and share amounts in this Annual Report on Form 10-K are in millions, except per share data and where otherwise noted. Our fiscal years end on the last Saturday of February and contain either 52 or 53 weeks. All references to fiscal 2018, 2017 and 2016 relate to the 52-week fiscal years ended February 24, 2018, February 25, 2017 and February 27, 2016, respectively. Our business is classified into two reportable segments: Wholesale and Retail.

Company Background

Our core business is the distribution of grocery and other products and provision of logistics and professional service solutions to retailers across the United States. Our Wholesale segment includes a network of 28 distribution centers covering approximately 21 million square feet from which we supply a broad assortment of over 175 thousand stock-keeping units ("SKUs") to retailers, including independent retailers operating diverse formats, regional and national chains, including our corporate-owned retail stores, and military commissaries.

During fiscal 2018, we expanded our Wholesale capabilities and distribution network through the acquisition of Unified Grocers, Inc. ("Unified") and Associated Grocers of Florida, Inc. ("AG Florida"). We now serve customers in nearly all U.S. states and internationally, including in the Caribbean, Central and South America, and Asia.

Our Wholesale business provides several sources of value enabling our customers to better serve their consumers. Our value proposition includes scale efficiencies in procurement, logistics, and merchandising; a broad assortment of products, including an industry-leading portfolio of private brands, ethnic and specialty offerings; and a suite of professional services offerings.

The continuing operations of our Retail segment includes 114 stores under the three banners of Cub Foods, Shoppers Food & Pharmacy and Hornbacher's. We believe our Retail banners have strong local and regional brand recognition in the markets in which they operate. Our Retail segment leverages our Wholesale value proposition to offer consumers a shopping experience that includes an assortment of products and services at competitive prices through a network of well-maintained stores.

Strategic Transformation

We initiated a strategic transformation in 2016 to become the wholesale supplier of choice for grocery retailers across the United States, while also executing initiatives to deliver long-term shareholder value. Our strategic transformation has impacted each of our segments, including at our leadership level where we have appointed new Wholesale leadership to grow our business and drive operational improvements and synergistic integrations of our acquired businesses and new Retail leadership

Table of Contents

to make fundamental changes and further align retail initiatives with our wholesale operations. We expect to continue to execute on our transformation and value-enhancing initiatives.

Sales from our Wholesale operations represent approximately 80 percent of our aggregate annual net sales from continuing operations for our fourth quarter of fiscal 2018, when considering the pro forma sales from the Unified and AG Florida businesses that we acquired during fiscal 2018. This compares to approximately 44% in the fourth quarter of fiscal 2016.

To achieve our strategic transformation, we have executed and continue to execute on four strategic pillars:

- Grow our Core Wholesale Business
  - The addition of more than $5 billion in run-rate sales to grow our core Wholesale business to nearly $13 billion when annualizing the sales from Unified and AG Florida. These acquisitions plus the addition of significant new Wholesale customers, such as The Fresh Market, drove this growth in fiscal 2018.
  - We made strategic capital investments of approximately $135 in fiscal 2018 toward the purchase and improvement of distribution warehouses, including Harrisburg, PA and Joliet, IL, to support the growth of our Wholesale business including our Market Centre division that supplies specialty and ethnic foods and non-food products, to solidify our East coast distribution and to enable further growth in certain key markets.
- Optimize our Asset Base
  - We entered into agreements to sell a majority of our Farm Fresh retail stores and pharmacy assets for a total of $53 in March 2018.
  - We announced that we are pursuing the sale of our corporately owned and operated retail operations of Shop n' Save (based in St. Louis) and Shop 'n Save East (with stores in West Virginia, Maryland, Pennsylvania and Virginia) in April 2018. These operations along with Farm Fresh are now reported in discontinued operations.
  - These three retail banners had generated combined losses in fiscal 2018 from operations and Adjusted EBITDA in each case prior to discontinued operations presentation, which previously included the impact of corporate and additional supply chain expense allocations, and other expense.
  - We sold our minority interest in an entity that operates multiple franchised Cub Foods stores in the Minneapolis / St. Paul, Minnesota market in February 2018.
- De-lever the Balance Sheet
  - We completed the sale of Save-A-Lot for $1.3 billion in December 2016, significantly reducing our debt, fundamentally improving our balance sheet, eliminating high levels of capital expenditures for retail operations, and increasing flexibility and resources available to execute our wholesale growth strategy.
  - We announced a sale leaseback transaction in April 2018 for eight of our distribution centers with expected gross proceeds of approximately $483 before costs and taxes which net proceeds will be used to further reduce outstanding debt and fundamentally improve our balance sheet.
- Strategic and Opportunistic Mergers and Acquisitions
  - We expanded our Wholesale business and distribution network on the West Coast through the acquisition of Unified on June 23, 2017, a business that had $3.7 billion of annual net sales, including Market Centre.
  - We expanded our Wholesale business and distribution network in Florida through the acquisition of AG Florida on December 8, 2017, a business that had $0.6 billion in annual net sales, including international customers and specialty and ethnic foods to local wholesale customers.
  - We have increased our expected run-rate cost synergies to approximately $95 to be achieved by the end of third year following the respective closings of the Unified and AG Florida transactions, of which we realized approximately $23 in fiscal 2018.
  - We expect the food wholesale industry consolidation to continue and believe our strategy enables us to build upon the recent acquisitions of Unified and AG Florida to further grow and expand capabilities through merger and acquisition opportunities.

Wholesale

We organize and operate our Wholesale segment through three geographic regions: East, Central and West. In fiscal 2018, our Wholesale network supplied 48 states, shipped internationally, served as a primary grocery supplier to approximately 3,323 stores, and served as a secondary grocery supplier to approximately 2,462 stores. Our Wholesale customers include single and multiple independent grocery store operators, regional chains and the military, many of which are long tenured customers. The following charts depict the mix of our Wholesale customers and the tenure of our top 25 Wholesale customers by net sales:

4

Table of Contents

(1) Unified’s net sales include domestic and international net sales of Unified for the 35 weeks ended February 24, 2018. On a pro forma basis, Unified’s net sales would have been $3,715 if their sales results for the 16 weeks prior to the acquisition date had been included in our fiscal 2018 results.

(2) AG Florida’s net sales include domestic and international net sales of AG Florida for the 11 weeks ended February 24, 2018. On a pro forma basis, AG Florida’s net sales would have been $644 if their sales results for the 41 weeks prior to the acquisition date had been included in our fiscal 2018 results.

(3) The 20+ Years tenure percentage for the top 25 customers decreased in fiscal 2018 from 68 percent in fiscal 2017 primarily attributable to organic sales growth from two recently affiliated large customers.

(4) Wholesale primary stores is defined as a customer location that has received over a certain dollar threshold of Wholesale product for each of the last three fiscal periods in a given quarter and purchases two or more product groups.

We have established a national network of strategically located distribution centers utilizing a multi-tiered logistics system. The network includes facilities that carry slow turn or fast turn groceries, perishables, general merchandise and home, health and beauty care products. As of February 24, 2018, the network was comprised of 28 distribution facilities, seven of which supply our own Retail stores in addition to stores of Wholesale customers. For financial reporting purposes, sales from our distribution centers to our own Retail stores are eliminated within the Wholesale segment. Deliveries to Retail stores are made from our distribution centers by our trucks, third-party independent trucking companies or customer-owned trucks.

We offer Wholesale customers a wide variety of food and non-food products, including national and regional brands, and our own extensive lines of private label products. We also offer a broad array of professional services that provide Wholesale customers with cost-effective and scalable solutions. These services include pass-through programs in which vendors provide services directly to our Wholesale customers, as well as services and solutions we develop and provide directly. Our services include retail store support, advertising, couponing, e-commerce, network and data hosting solutions, training and certifications classes, and administrative back-office solutions. The sales and operating results for these services are included within Wholesale.

As a logistics provider, efficiency is an important customer service measure. We optimize our facilities to implement leading warehouse technology, ranging from radio-frequency devices guiding selectors to mechanized facilities with completely automated order selection for dry groceries that help us deliver aisle-ready pallets to Wholesale customers. Our Wholesale segment also focuses on improving our supply chain to achieve labor and cost efficiencies.

The acquisitions of Unified and AG Florida have expanded our national supply network and distribution center footprint, as represented in the following map, which indicates the locations of our distribution centers, related wholesale primary stores and our own retail stores:

Table of Contents

(1) The above map approximates the total number of Wholesale primary stores we supply, and excludes certain international locations that do not classify as Wholesale primary stores.

Retail

We conduct the continuing operations of our Retail segment through a total of 114 stores, as of February 24, 2018, primarily organized under the three retail grocery banners of Cub Foods, Shoppers Food & Pharmacy, and Hornbacher's. Our Retail stores provide an extensive grocery offering and, depending on size, a variety of additional products, including general merchandise, home, health and beauty care, and pharmacy. We offer national and regional brands as well as our own private label products. Depending on the banner, a typical Retail store carries approximately 16,000 to 21,000 core SKUs and ranges in size from approximately 50,000 to 70,000 square feet.

We believe our Retail banners have strong local and regional brand recognition in the markets in which they operate. Our Retail continuing operations are supplied by seven distribution centers that are part of the Wholesale segment providing wholesale distribution to both our own Retail stores and stores of Wholesale customers.

During the fourth quarter of fiscal 2018, we announced the exit of our Farm Fresh banner and that we are pursuing the sale of certain of our corporately owned and operated retail operations consisting of Shop 'n Save in the St. Louis, Missouri area ("Shop 'n Save") and our Shop 'n Save stores located in Maryland, Pennsylvania and West Virginia ("Shop 'n Save East"). These retail assets have been classified as held for sale and the historical results of operations, financial position and cash flows directly attributable to these operations are reported within discontinued operations in our Consolidated Financial Statements for all periods presented. Throughout this Annual Report on Form 10-K references to the Retail segment exclude these retail assets that are held for sale.

Sale of Save-A-Lot

On December 5, 2016, we completed the sale of Save-A-Lot to SAL Acquisition Corp (f/k/a Smith Acquisition Corp), an affiliate of Onex Partners Managers LP, for a purchase price of approximately $1.3 billion in cash. The sale of Save-A-Lot was completed pursuant to the terms of the Agreement and Plan of Merger, dated as of October 16, 2016 ("SAL Merger Agreement"), by and among SAL Acquisition Corp, SAL Merger Sub Corp (f/k/a Smith Merger Sub Corp), a newly formed wholly owned subsidiary of the SAL Acquisition Corp, Supervalu and Moran Foods, LLC ("Moran Foods"), a wholly owned subsidiary of Supervalu prior to the sale. Concurrently with entering into the SAL Merger Agreement, Supervalu and Moran Foods also entered into a Separation Agreement (the "Separation Agreement") pursuant to which, among other things, the assets and liabilities of the Save-A-Lot business were transferred to and assumed by Moran Foods prior to the completion of the sale. The assets, liabilities, operating results, and cash flows of the Save-A-Lot business are reported within discontinued operations in the Consolidated Financial Statements for all periods presented.

Table of Contents

Corporate

In connection with the sale of Save-A-Lot on December 5, 2016, Supervalu and Moran Foods entered into a Services Agreement, pursuant to which we provide certain technical, human resources, finance and other operational services to Save-A-Lot for a term of five years, on the terms and subject to the conditions set forth therein. The initial annual base charge under the Services Agreement is $30, subject to adjustments.

We provide back-office administrative support services under the transition services agreements ("TSA") with New Albertson's, Inc. ("NAI") and Albertson's LLC ("Albertson's") and also provide services as needed to transition and wind down the TSA with NAI and Albertson's. We anticipate our services to NAI and Albertson's and our revenue under the TSA will end in September 2018, subject to limited extensions of services at NAI's and Albertson's election.

Products

We offer a wide variety of nationally advertised brand name and private-label products, including grocery (both perishable and nonperishable), general merchandise, home, health and beauty care, and pharmacy, which are sold through our Wholesale segment to Wholesale customers and through Supervalu-operated Retail stores to shoppers. We believe that we have adequate and alternative sources of supply for most of our purchased products.

The following table provides additional detail on the amounts and percentages of Net sales for each group of similar products sold in the Wholesale and Retail segments, and service agreement revenue in Corporate:

	2018 (52 weeks)		2017 (52 weeks)		2016 (52 weeks)	
Wholesale:						
Nonperishable grocery products(1)	$7,634	54 %	$5,579	52 %	$5,753	51 %
Perishable grocery products(2)	3,241	23	1,969	18	2,025	18
Services to wholesale customers and other	179	1	157	1	157	1
	11,054	78 %	7,705	71 %	7,935	70 %
Retail:						
Nonperishable grocery products(1)	$1,612	12 %	$1,663	15 %	$1,731	15 %
Perishable grocery products(2)	1,002	7	1,026	9	1,072	10
Pharmacy products	302	2	312	3	316	3
Other	27	—	27	—	26	—
	2,943	21 %	3,028	27 %	3,145	28 %
Corporate:						
Service agreement revenue(3)	$160	1 %	$179	2 %	$203	2 %
Net sales	$14,157	100%	$10,912	100%	$11,283	100%

(1) Includes such items as dry goods, dairy, frozen foods, beverages, general merchandise, home, health and beauty care and candy

(2) Includes such items as meat, produce, deli and bakery

(3) Includes revenue under the Services Agreement with Save-A-Lot and the TSA with NAI and Albertson's

Private-Label Products

Our private-label products are produced to our specification by many suppliers and compete in most categories. Private-label products include: the premium brands CULINARY CIRCLE® and STOCKMAN AND DAKOTA®, which offer unique, premium quality products in highly competitive categories; WILD HARVEST®, which is free from over 140 undesirable ingredients; core brands ESSENTIAL EVERYDAY®, EQUALINE®, SPRINGFIELD®, and category-specific brands ARCTIC SHORES SEAFOOD COMPANY®, BABY BASICS®, FARM STAND®, STONE RIDGE CREAMERY®, GOLDEN CRÈME® and SUPER CHILL®, which provide shoppers quality national brand equivalent products at a competitive price; and the value brands SHOPPER'S VALUE® and SPECIAL VALUE®, which offer budget conscious consumers quality alternatives to national brands at substantial savings.

Table of Contents

Trademarks

We offer Wholesale customers the opportunity to franchise a concept or license a service mark. These programs help our Wholesale customers compete by providing, as part of the franchise or license program, a complete business concept, group advertising, private-label products and other benefits. We are the franchisor or licensor of certain banner store service marks such as CUB FOODS®, FESTIVAL FOODS®, SENTRY, COUNTY MARKET®, NEWMARKET®, FOODLAND®, JUBILEE® and SUPERVALU®. Additionally, we added SPRINGFIELD, GOLDEN CRÈME and SPECIAL VALUE banner service marks through the acquisition of Unified. In conjunction with our licensing and franchise arrangements, we maintain wholesale distribution agreements with our licensees and franchisees, primarily under the CUB FOODS®, FESTIVAL FOODS®, SENTRY® and RAINBOW FOODS® banners.

We file a substantial number of our trademarks/service marks with the United States Patent and Trademark Office, including for many of our private-label product brands. U.S. trademark and service mark registrations are for a term of ten years, and renewable every ten years as long as the trademark or service mark is used in the regular course of trade. We consider certain of our trademarks and service marks to be of material importance to our Wholesale and Retail segments and actively defend and enforce such trademarks and service marks. Solely for convenience, our trademarks, service marks or tradenames may appear in this Annual Report on Form 10-K without the corresponding ® or ™ symbols, but such references are not intended to indicate in any way that we will not assert, to the fullest extent, our rights to such trademarks, service marks and tradenames.

Working Capital

Normal operating fluctuations in working capital balances can result in changes to cash flow from operations presented in the Consolidated Statements of Cash Flows that are not necessarily indicative of long-term operating trends. Our working capital needs are generally greater during the months leading up to high sales periods, such as the time period from prior to Thanksgiving through December. We typically finance these working capital needs with funds provided by operating activities and short-term borrowings. Inventories are managed primarily through demand forecasting and replenishing depleted inventories. There are no unusual industry practices or requirements relating to working capital.

Seasonality and Reporting Periods

Overall product sales are fairly balanced throughout the year, although demand for certain products of a seasonal nature may be influenced by holidays, changes in seasons or other annual events. Our first quarter consists of 16 weeks, while all of our other quarters consist of 12 weeks, and all of our quarters typically include a major holiday.

Competition

Our Wholesale and Retail segments each operate in highly competitive environments.

Wholesale competes directly with a number of traditional and specialty grocery wholesalers and retailers that maintain or develop self-distribution systems. We compete in this business on the basis of price, quality, assortment, schedule and reliability of deliveries and services, service fees and distribution facility locations.

We believe that our success is dependent upon the ability of the stores of our Wholesale customers, as well as our own stores, to compete successfully. We also compete to attract and maintain licensed and franchised operators to operate stores to which we provide wholesale distribution and services. This competition generally takes the form of alternative investment formats, such as a potential or existing licensee’s investment in fast food restaurants, dollar stores, specialty supermarkets, drug stores and other potential investments.

Principal competition for our Retail segment, as well as for our Wholesale customers, comes from traditional grocery retailers, including regional and national chains and independent grocery store operators, and non-traditional retailers, such as supercenters, membership warehouse clubs, specialty supermarkets, hard discount stores, dollar stores, online retailers, convenience stores, drug stores and restaurants. Our ability to differentiate ourselves from our competitors and create an attractive value proposition for our customers is dependent upon a combination of price, quality, customer service, convenience, e-commerce offerings, assortment, in-stock levels, brand perception, store location and conditions, in-store marketing and merchandising and promotional strategies.

Recent and ongoing consolidation within the grocery industry has resulted in, and is expected to continue to result in, increased competition, including from some competitors that have greater financial, marketing and other resources than us.

Table of Contents

Employees

As of February 24, 2018, we had approximately 31,000 employees. Of our 31,000 employees, 8,000 relate to our retail banners classified as held for sale in discontinued operations, of which approximately 3,000 employees were covered by seven collective bargaining agreements. Approximately 17,000 employees are covered by 63 collective bargaining agreements. During fiscal 2018, 23 collective bargaining agreements covering approximately 5,800 employees were renegotiated. As of February 24, 2018, four collective bargaining agreements covering approximately 600 employees had already expired without their terms being renegotiated. Negotiations are expected to continue with the bargaining units representing the employees subject to those expired agreements. During fiscal 2019, 15 collective bargaining agreements covering approximately 5,000 employees are scheduled to expire. The majority of employees covered by these expiring collective bargaining agreements are located in the Midwestern regions. We are focused on having competitive cost structures in each geographic region in which we operate while meeting our employees' needs for attractive wages and affordable healthcare and retirement benefits. We believe we have generally good relations with our employees and with the labor unions that represent employees covered by collective bargaining agreements.

Where You Can Find More Information

Our principal executive offices are located at 11840 Valley View Road, Eden Prairie, Minnesota 55344 (Telephone: 952-828-4000). We make available free of charge at our Internet website (www.supervalu.com) our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission (the "SEC"). Information on our website is not deemed to be incorporated by reference into this Annual Report on Form 10-K. Supervalu will also provide its SEC filings free of charge upon written request to Investor Relations, SUPERVALU INC., P.O. Box 990, Minneapolis, MN 55440.

EXECUTIVE OFFICERS OF SUPERVALU INC.

The following table provides certain information concerning the executive officers of Supervalu as of April 24, 2018.

Name	Age	Present Position	Calendar Year Elected to Present Position	Other Positions Recently Held with Supervalu
Mark Gross[(1)]	55	President and Chief Executive Officer	2016	
Rob N. Woseth[(2)]	47	Executive Vice President and Chief Financial Officer	2018	Executive Vice President, Chief Strategy Officer, 2013-2018; and Interim Chief Financial Officer, 2017-2018
Randy G. Burdick[(3)]	60	Executive Vice President, Chief Information Officer	2013	
Anne M. Dament[(4)]	51	Executive Vice President, Retail, Marketing and Private Brands	2017	Senior Vice President Retail, Merchandising and Marketing, January 2017-October 2017
Stuart D. McFarland[(5)]	40	Senior Vice President, General Counsel and Corporate Secretary	2017	Vice President, Associate General Counsel and Assistant Corporate Secretary, 2014-2017; Director and Associate General Counsel, 2013-2014, Senior Attorney, 2012-2013; and Attorney 2010-2012
Michael C. Stigers[(6)]	59	Executive Vice President, Wholesale	2015	President of Cub Foods, 2014-2015; President, Northern and Western Region of Wholesale, 2013-2014; President of Shaw's, 2011-2013
James W. Weidenheimer[(7)]	59	Executive Vice President, Corporate	2016	

Development and
Chief Innovation
Officer

Table of Contents

(1) Mark Gross was appointed President and Chief Executive Officer in February 2016. Prior to joining Supervalu, from 2006 to 2016 Mr. Gross served as President of Surry Investment Advisors LLC, an advisory firm that he founded to provide consulting services to grocery distributors and retailers with respect to strategic and operational matters. From 1997 to 2006, Mr. Gross held various positions at C&S Wholesale Grocers, Inc., a wholesale grocery distributor ("C&S"), including serving as Co-President of C&S's overall operations from 2005 to 2006. Additionally, during his tenure with C&S, Mr. Gross served as Chief Financial Officer, General Counsel, and President of its affiliated retail grocery operations.

(2) Rob N. Woseth was appointed Executive Vice President and Chief Financial Officer in February 2018. He served as Executive Vice President, Chief Strategy Officer from March 2013 to February 2018 and as Interim Chief Financial Officer from July 2017 to February 2018. Prior to joining Supervalu, Mr. Woseth served as Vice President Business Development and Strategy at Albertson's LLC, a grocery company, from 2006 to 2013.

(3) Randy G. Burdick was appointed Executive Vice President, Chief Information Officer in March 2013. Prior to joining Supervalu, Mr. Burdick served as Executive Vice President and Chief Information Officer at OfficeMax, an office supplies retailer, from 2005-2013.

(4) Anne M. Dament was appointed Executive Vice President, Retail, Marketing and Private Brands, in November 2017. She served as Senior Vice President, Retail, Merchandising and Marketing from January 2017 to November 2017. Prior to joining Supervalu, Ms. Dament served as Senior Vice President, Merchandising at Target Corporation, a general merchandise retailer, from April 2015 to November 2016. Ms. Dament previously served as Vice President, Merchandising Solutions, from January 2009 to September 2012 and as Vice President, Services from September 2012 to April 2015 at PetSmart, Inc., a specialty retailer of services and solutions for pets.

(5) Stuart D. McFarland was appointed Senior Vice President, General Counsel and Corporate Secretary in November 2017. He served as Vice President, Associate General Counsel and Assistant Corporate Secretary from July 2014 to November 2017, Director and Associate General Counsel from August 2013 to July 2014, Senior Attorney from October 2012 to August 2013, and Attorney from August 2010 to October 2012. Prior to joining Supervalu, Mr. McFarland was an associate at the law firm of Gibson, Dunn & Crutcher LLP in Los Angeles.

(6) Michael C. Stigers was appointed Executive Vice President, Wholesale in December 2015. He served as President of Cub Foods from December 2014 to December 2015, President, Northern and Western Region of Wholesale, from 2013 to 2014, and President of Shaw's, a retail banner that we formerly owned, from 2011 to 2013. Prior to joining Supervalu, Mr. Stigers served as President of PW Supermarkets, Inc., an operator of retail grocery supermarkets, from 2006 to 2010 and as Chief Executive Officer in 2010. In April 2011, creditors filed a petition for involuntary bankruptcy against PW Supermarkets in U.S. Bankruptcy Court, Northern District of California to force PW Supermarkets into a Chapter 7 liquidation. The bankruptcy case was transferred to the Oakland Division in October 2014 and remains pending in that court.

(7) James W. Weidenheimer was appointed Executive Vice President, Corporate Development and Chief Innovation Officer in April 2016. Prior to joining Supervalu, Mr. Weidenheimer served as Senior Vice President of Corporate Development for C&S from 2008 to 2016, where Mr. Weidenheimer oversaw significant M&A activity and led the development of procurement and distribution outsourcing plans. From 1998 to 2008, Mr. Weidenheimer had operating responsibility for finance, treasury, procurement, facilities, internal audit, quality assurance and inventory control at C&S.

The term of office of each executive officer is from one annual meeting of the Board of Directors until the next annual meeting of the Board of Directors or until a successor is elected. There are no family relationships between or among any of our executive officers.

ITEM 1A. RISK FACTORS

Various risks and uncertainties may affect our business. Any of the risks described below or elsewhere in this Annual Report on Form 10-K or our other SEC filings may have a material impact on our business, financial condition or results of operations.

Strategic and Operational Risks

We face intense competition.

The grocery business is intensely competitive, and the recent and ongoing consolidation within the grocery industry is expected to result in increased competition, including from some competitors that have greater financial, marketing and other resources than we do. The grocery industry is characterized by relatively small operating margins, and as competition in certain areas intensifies and as the industry continues to consolidate, our results of operations may be negatively impacted through a loss of sales and reductions in gross margins. See “Business-Competition” for a discussion of the competitive environment.

If we are unable to appropriately respond to competition and execute on our initiatives to improve our competitive position or profitability, and differentiate our offerings, our sales, financial condition and results of operations may be adversely affected.

Table of Contents

We are transforming our business and have engaged, and may continue to engage in, acquisitions and divestitures and other strategic initiatives, and may encounter difficulties integrating acquired businesses or divesting businesses or assets and may not realize the anticipated benefits of our acquisitions and divestitures.

We have engaged in, and expect to continue to pursue, strategic transactions and initiatives as we transform our business. Acquisitions and dispositions present significant challenges and risks relating to the integration of acquired businesses and the separation of disposed businesses. The risks include: (i) our due diligence reviews may not identify all of the material issues; (ii) we may incur unanticipated costs or expenses; (iii) we may not be able to integrate acquisitions with our operations or separate divested businesses and related obligations from our operations as planned; and (iv) we may not be able to realize anticipated reductions in costs attributable to divested businesses or assets. In addition, we may not realize the degree or timing of benefits or synergies we anticipate when we first enter into a transaction. There can be no assurances that we will manage acquisitions and dispositions or other strategic initiatives successfully, that strategic opportunities will be available to us on acceptable terms or at all, or that we will be able to consummate desired transactions. Any of the foregoing could materially adversely affect our competitive position, financial condition, results of operations or cash flows.

On June 23, 2017, we acquired Unified, a retailer-owned cooperative focused on wholesale grocery and specialty distribution on the West Coast of the United States. On December 8, 2017, we acquired AG Florida, a retailer-owned cooperative that distributes full lines of grocery and general merchandise to independent retailers, located primarily in South Florida, the Caribbean, Central and South America and Asia. The process of integrating both Unified and AG Florida may be disruptive to our business operations and may distract our management team from their day-to-day responsibilities. There can also be no assurance that we will be able to successfully integrate Unified and AG Florida to achieve the operational efficiencies, including synergistic and other benefits of the acquisitions, to expand Unified’s Market Centre division across the country or to effectively retain key employees and maintain and grow customer relationships.

On March 14, 2018, we announced our plan to exit our Farm Fresh banner and that we had entered into agreements to sell 21 of our 38 Farm Fresh stores. On April 24, 2018, we announced we are pursuing the sale of certain of our corporately owned and operated retail operations of Shop ‘n Save and Shop ‘n Save East. There can also be no assurance that we will be able to: (i) identify buyers for any or all of the remaining Farm Fresh stores on favorable terms or at all; (ii) consummate any strategic transactions for the Shop ’n Save and Shop ‘n Save East banners held for sale and now reported within discontinued operations; (iii) effectively retain employees and continue to conduct business at these stores; and (iv) effectively reduce liabilities and stranded costs associated with discontinued operations, including any surplus property and management of remaining obligations under real estate leases.

On April 24, 2018, we announced agreements for a sale leaseback transaction for eight of our distribution centers, totaling approximately six million square feet with expected gross proceeds of approximately $483 before costs and taxes. The transactions are subject to customary closing conditions and there can be no assurance that we will not need to modify the terms of the transactions or that the transactions will close on a timely basis or at all.

Our Wholesale distribution business could be adversely affected if we are not able to affiliate new customers, increase sales to existing customers or retain existing customers, or if our Wholesale customers fail to perform.

The profitability of our Wholesale segment is dependent upon sufficient volume to support our operating infrastructure, which is dependent on our ability to attract new customers, increase sales to existing customers and retain existing customers. The inability to attract new customers or the loss of existing customers to a competing wholesaler or due to closure, vertical integration by an existing customer converting to self-distribution, or industry consolidation may negatively impact our sales and operating margins.

Our success also relies in part on the financial success and cooperation of our Wholesale customers. These Wholesale customers manage their businesses independently and, therefore, are responsible for the day-to-day operation of their stores. They may not experience an acceptable level of sales or profitability, and our revenues and gross margins could be negatively affected as a result. We may also need to extend credit to our Wholesale customers, including through loans, market support or guarantees, and while we seek to obtain security interests and other credit support in connection with the financial accommodations we extend, such collateral may not be sufficient to cover our exposure. If sales trends or profitability worsen for Wholesale customers, their financial results may deteriorate, which could result in, among other things, lost business for us, delayed or reduced payments to us or defaults on payments or other liabilities owed by Wholesale customers to us, any of which could adversely impact our financial condition and results of operations, as well as our ability to grow our Wholesale business. In this regard, our Wholesale customers are affected by the same economic conditions, including food inflation and deflation, and competition that our Retail segment faces. The magnitude of these risks increases as the size of our Wholesale customers increases.

Table of Contents

Our inability to maintain or increase our operating margins could adversely affect our results of operations and the price of our stock.

As competition increases, the grocery industry consolidates and we attempt to affiliate larger Wholesale customers, we expect to continue to face pressure on our operating margins. If we are not able to continue to capture scale efficiencies and enhance our merchandise offerings, if we are not able to achieve our targeted synergies for our acquisitions of Unified and AG Florida or if we are not able to reduce our costs as we divest certain of our retail operations, we may not be able to achieve our goals with respect to operating margins. In addition, if we do not refine and improve our systems continually or if we are unable to effectively improve our systems without disruption including any migration to a cloud environment, we may not be able to reduce costs, increase sales and services, effectively manage inventory and procurement processes or effectively manage customer pricing plans. As a result, our operating margins may stagnate or decline, which could adversely affect the price of our stock.

Failure to affiliate new customers and retain existing customers for our professional services, or the failure to perform the services as required, could adversely impact our results of operations.

We provide numerous services to our Wholesale customers to support the operation of their businesses and stores. We have been working to leverage our experience, infrastructure and investments to engage new customers and expand the scope of services received by existing customers. If we are unable to successfully implement this strategy, including differentiating the quality and breadth of our services to customers, in a highly competitive and consolidating environment, or if we are unable to perform the services up to the customers' expectations, our results of operations could be adversely impacted.

We have significant service relationships with Albertson's, NAI and Save-A-Lot, and the wind-down of our relationships with Albertson's and NAI (and any future wind down of Save-A-Lot) could adversely impact our results of operations.

We have provided significant support services to New Albertson's, Inc. ("NAI") and Albertson's LLC ("Albertson's") since 2006 and to Save-A-Lot since we divested it in December 2016. We expect our services to NAI and Albertson's will end in September 2018, subject to limited extensions of services at NAI's and Albertson's election. We will lose a significant amount of revenue and corresponding operating earnings as a result of this wind down. We have been executing on our plan to reduce costs, grow our sales and enhance our margins over the past several years, but we do not believe that we will be able to grow sales quickly enough, further eliminate costs or enhance margins to fully mitigate the lost revenue as the TSA unwinds. Failure to execute on our services offering and growth strategy, including making the necessary capital investments for that growth while managing additional cost reductions, could further adversely impact our results of operations. We are working closely with NAI and Albertson's on the wind down but the execution of the wind down is dependent on NAI and Albertson's.

We are also expecting in fiscal 2019 to exit the distribution center that we share with NAI and Albertson's in Lancaster, PA. Our results of operations could be adversely impacted if we are not able to transition to our new distribution center in Harrisburg, PA in the manner and timeline anticipated.

Our large professional services agreements, including our agreement with Save-A-Lot, provide certain rights for the customers. The services agreement will typically include a fixed term but provide the customer certain termination rights, including in the event of our material breach, and may give the customer certain termination and monetary rights with respect to specified services or service categories in the event we do not perform to agreed-upon minimum levels of service. The services agreement will also generally require us to indemnify the customer against third-party claims arising out of the performance of the services under the agreement. Termination of services agreements, in whole or in part, and in particular the services agreement with Save-A-Lot and the wind-down of the services agreement with NAI and Albertson's, could adversely affect our business or results of operations.

We may not be able to grow or maintain our levels of identical store sales.

We have experienced negative identical store sales in our Retail operations in certain recent periods. A variety of factors affect identical store sales and profitability, including in-store performance, consumer tastes, competition, current economic conditions, pricing, deflation or inflation, and weather conditions, and many of these factors are beyond our control and can be difficult to predict in advance. If our identical store sales continue to decline or fail to meet market expectations, our results of operations could be adversely affected and the price of our stock could decline.

Our indebtedness could decrease our financial and operational flexibility and our borrowing costs could increase.

Our credit facilities contain covenants that limit our ability to acquire assets, dispose of assets and use the proceeds thereof, create liens on property, incur or prepay indebtedness and pay dividends or repurchase stock, among other things and subject to certain exceptions. These covenants may affect our operating and financial flexibility and may require us to seek the consent of

Table of Contents

the lenders for certain transactions that we may wish to effect. There can be no assurances that we would be able to obtain such consent on favorable terms or at all. There can also be no assurances that we will be able to refinance our existing indebtedness on similar terms. Tightening of credit, reduced liquidity or volatility in the capital markets could result in diminished availability of credit and higher costs of borrowing, making it more difficult for us to obtain or amend debt financing on favorable terms. Additionally, if we fail to comply with any of our covenants or other restrictions, the related indebtedness (and other unrelated indebtedness) could become due and payable prior to its stated maturity and we may not be able to repay the indebtedness that becomes due. A default under our debt instruments may also significantly affect our ability to obtain additional or alternative financing. A significant portion of our debt portfolio has a variable interest rate component. Volatility in interest rates causes volatility in interest expense, potentially resulting in an adverse impact to earnings.

Increases in healthcare, pension and other costs under Supervalu's and multiemployer benefit plans, or failure to maintain satisfactory labor relations, could adversely affect our financial condition and results of operations.

We provide health, defined benefit pension, defined contribution and other postretirement benefits to many of our employees and the costs of such benefits continue to increase. The amount of any increase depends on a number of different factors, many of which are beyond our control. These factors include governmental regulations such as The Patient Protection and Affordable Care Act, which has resulted in changes to the U.S. healthcare system and imposes mandatory types of coverage, reporting and other requirements; return on assets held in plans; changes in actuarial valuations, estimates, assumptions or calculations used to determine our benefit obligations for certain benefit plans, which require the use of significant estimates, including the discount rate, expected long-term rate of return on plan assets, mortality rates and the rates of increase in compensation and healthcare costs; for multiemployer plans, the outcome of collective bargaining and actions taken by trustees who manage the plans; and potential changes to applicable legislation or regulation. If we are unable to control these benefits and costs, we may experience increased operating costs, which may adversely affect our financial condition and results of operations.

Additionally, Company-sponsored plans and multiemployer pension plans are underfunded with the projected benefit obligations exceeding the fair value of those plans' assets. Withdrawal liabilities from multiemployer plans could be material, and potential exposure to withdrawal liabilities could cause us to forgo or negatively impact our ability to enter into other business opportunities. Some of these plans have required rehabilitation plans or funding improvement plans, and we can give no assurances of the extent to which a rehabilitation plan or a funding improvement plan will improve the funded status of the plan. We expect that increases of unfunded liabilities of these plans would result in increased future payments by us and the other participating employers over the next few years. A significant increase to funding requirements could adversely affect our financial condition, results of operations or cash flows. The financial condition of these pension plans may also negatively impact our debt ratings, which may increase the cost of borrowing or adversely affect our ability to access one or more financial markets.

We are party to collective bargaining agreements that impose certain work rules and other restrictions on us that limit our flexibility in managing our business, cost structure and business strategies. See "Business-Employees" for information about the collective bargaining agreements. There can be no assurance that we will be able to negotiate the terms of expiring or expired agreements in a manner acceptable to us. Therefore, potential increases in operating costs, reduced operational flexibility or work disruptions from labor disputes, strikes or picketing could disrupt our businesses and adversely affect our financial condition and results of operations. Certain of our operations have employees who are non-union, and while we believe our employee relations are strong, there can be no assurance that these operations will not experience pressure from labor unions or become the target of campaigns to unionize.

Our success depends in part on the retention of our executive officers and key management, and our ability to hire and retain key personnel.

Our success depends on the experience, performance and skills of our executive officers, senior management and other key employees. Competition for skilled and experienced personnel is intense, and our future success will also depend on our ability to attract, incentivize and retain qualified personnel. Failure to attract, appropriately incentivize and retain qualified personnel could have an adverse effect on our operations. There can be no assurance that our executive succession planning, retention or hiring efforts will be successful.

Disruptions to our or third-party information technology systems, including cyber-attacks and security breaches, and the costs of maintaining secure and effective information technology systems could negatively affect our business and results of operations.

The efficient operation of our businesses is highly dependent on computer hardware and software systems, including customized information technology systems. Additionally, our businesses increasingly involve the receipt, storage and transmission of sensitive data, including personal information about our customers and employees and our proprietary business

Table of Contents

information, customers and vendors. We also share information with vendors. Information systems are vulnerable to not functioning as designed and to disruptions and security breaches by computer hackers and cyber terrorists.

In fiscal 2015, we experienced separate criminal intrusions into the portion of our computer network that processes payment card transactions for some of our owned and franchised retail food stores, including some of the associated stand-alone liquor stores. We have incurred and expect to incur costs and expenses related to these intrusions, and may also be adversely affected by claims from customers, financial institutions, payment card brands, Albertson's and NAI for stores owned and operated by them that experienced related criminal intrusions, stockholders and others and by costly inquiries or enforcement actions on the part of regulatory authorities.

Although we continue to take actions to strengthen the security of our information technology systems, these measures and technology may not adequately anticipate or prevent security breaches in the future or we may not be able to timely implement these measures and technology. Cyber-attacks are rapidly evolving and becoming increasingly sophisticated and difficult to detect. The failure to promptly detect, determine the extent of and appropriately respond to and contain a significant data security attack or breach of our systems or any third-party systems used by us could have a material adverse impact on our business, financial condition and results of operations. We could also lose credibility with our customers and suffer damage to our reputation and future sales, including through negative publicity and social media. In addition, the unavailability of the information systems or failure of these systems or software to perform as anticipated for any reason and any inability to respond to, or recover from, such an event, could disrupt our business, impact our customers and could result in decreased performance, increased overhead costs and increased risk for liability, causing our business and results of operations to suffer.

As a merchant that accepts debit and credit cards for payment, we are subject to the Payment Card Industry Data Security Standard ("PCI DSS"), issued by the PCI Council. Additionally, we are subject to PCI DSS as a service provider, which is a business entity that is not a payment brand directly involved in the processing, storage or transmission of cardholder data. PCI DSS contains compliance guidelines and standards with regard to our security surrounding the physical and electronic storage, processing and transmission of individual cardholder data. By accepting debit cards for payment, we are also subject to compliance with American National Standards Institute data encryption standards and payment network security operating guidelines. The cost of complying with stricter privacy and information security laws, standards and guidelines, including evolving PCI DSS standards, and developing, maintaining and upgrading technology systems to address future advances in technology, could be significant and we could experience problems and interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems. Failure to comply with such laws, standards and guidelines, or payment card industry standards such as accepting Europay, MasterCard and Visa (EMV) transactions, could have a material adverse impact on our business, financial condition and results of operations.

Changes in the military commissary system or decreases in governmental funding could negatively impact the sales and operating performance of our military business.

Our Wholesale segment sells and distributes grocery products to military commissaries and exchanges in the United States. The commissary system has experienced material changes as the Defense Commissary Agency has looked to reduce the level of governmental funding required for the system, including to lower prices from suppliers and to offer its own private-label products. The military food distribution industry already has narrow operating margins making economies of scale critical for distributors. These changes could have an adverse impact on the sales and operating performance of our military business. Additionally, our military business faces competition from large national and regional food distributors, as well as smaller food distributors, and the military commissaries and exchanges face competition from low-cost retailers.

Our insurance and self-insurance programs may not be adequate to cover future claims.

We use a combination of insurance and self-insurance to provide for potential liabilities for workers' compensation, automobile and general liability, director and officer liability, property risk, cyber and privacy risks and employee healthcare benefits. We estimate the liabilities and required reserves associated with the risks we retain. Any such estimates and actuarial projection of losses is subject to a degree of variability. Among the causes of this variability are changes in benefit levels, medical fee schedules, medical utilization guidelines, vocation rehabilitation and apportionment and unpredictable external factors affecting inflation rates, discount rates, rising healthcare costs, litigation trends, legal interpretations, benefit level changes and actual claim settlement patterns. If the number or severity of claims for which we are self-insured increases, or we are required to accrue or pay additional amounts because the claims prove to be more severe than our original assessments, our financial condition and results of operations may be adversely affected.

Table of Contents

Impairment charges for long-lived assets or goodwill may adversely affect our financial condition and results of operations.

We monitor the recoverability of our long-lived assets, such as buildings and equipment, and evaluate their carrying value for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. We annually review goodwill to determine if impairment has occurred. Additionally, interim reviews are performed whenever events or changes in circumstances indicate that impairment may have occurred. If the testing performed indicates that impairment has occurred, we are required to record a non-cash impairment charge for the difference between the carrying value of the long-lived assets or goodwill and the fair value of long-lived assets and the implied fair value of the goodwill, respectively, in the period the determination is made. The testing of long-lived assets and goodwill for impairment requires us to make estimates that are subject to significant assumptions about our future revenue, profitability, cash flows, fair value of assets and liabilities, weighted average cost of capital, as well as other assumptions. Changes in these estimates, or changes in actual performance compared with these estimates, may affect the fair value of long-lived assets or goodwill, which may result in an impairment charge.

We cannot accurately predict the amount or timing of any impairment of assets. Should the value of long-lived assets or goodwill become impaired, our financial condition and results of operations may be adversely affected.

A potential proxy contest for the election of directors at our annual meeting could result in potential operational disruption, divert our resources and management's attention and have an adverse effect on our business.

On March 20, 2018, Blackwells Capital LLC nominated six candidates for election to our Board of Directors at our 2018 annual meeting of stockholders. A contested election could require us to incur substantial legal and public relations fees and proxy solicitation expenses and divert management's attention, and could result in potential operational disruption. Further, any perceived uncertainties as to our future direction and control could result in the loss of potential business opportunities and may make it more difficult to attract and retain qualified employees and customers, any of which could adversely affect our business and operating results. Any perceived uncertainties could also adversely affect the price and volatility of our stock.

Our stock price is subject to market and other conditions and may be volatile.

The market price of our common stock may fluctuate significantly in response to a number of factors. These factors, some of which may be beyond our control, include the perceived prospects and actual operating results of our business; changes in estimates of our operating results by us, our analysts or investors; trading activity by our large stockholders; trading activity by sophisticated algorithms (high-frequency trading); our actual operating results relative to such estimates or expectations; actions or announcements by us or our competitors; litigation and judicial decisions; legislative or regulatory actions; and changes in general economic or market conditions. In addition, the stock market in general has from time to time experienced extreme price and volume fluctuations. These market fluctuations could reduce the market price of our common stock for reasons unrelated to our operating performance.

Economic Risks

Changes in commodity prices, including due to deflation or inflation, or worsening economic conditions could adversely impact our financial condition and operating results.

Prices for the commodities and supplies that we purchase can be volatile. We have recently experienced both deflation and inflation in commodities that we purchase for resale. Decreases in these input costs cause us to lower our prices and thereby reduce our revenues and gross margins. Continued deflation could adversely affect our operating results. Additionally, our operations are dependent on the availability of energy and fuel to store and transport products. While we have entered into contracts to purchase fuel, electricity and natural gas at fixed prices to satisfy a portion of our expected needs, an increase in these costs could adversely affect our results of operations. We have also invested in semitrailer trucks powered by compressed natural gas, which are subject to risks of defects, malfunctions and other damages.

The vast majority of our operations and customers are located in the United States, making our results highly dependent on U.S. economic conditions, including consumer confidence and spending habits. Further, a significant portion of our total sales for our Retail continuing operations is derived from stores located in Minnesota, North Dakota and the Washington D.C./Baltimore markets, resulting in further dependence on local economic conditions in these states. There can be no assurance that we will be able to identify and respond effectively to changing economic conditions and trends. Additionally, these economic conditions can increase our cost of sales and selling, general and administrative expenses, and otherwise adversely affect our results of operations.

Table of Contents

Severe weather and natural disasters may harm our business.

Severe weather conditions and natural disasters in areas in which we or our customers operate or from which we obtain products may adversely affect our financial condition and results of operations, including as a result of physical damage to our properties, closure of one or more of our or our customers' stores, offices or distribution facilities, lack of an adequate work force in a market, temporary disruption in the supply of products, disruption in the transport of goods, delays in the delivery of goods to distribution centers or stores, a reduction in customer volume and a reduction in the availability of products. In addition, adverse climate conditions and adverse weather patterns, such as drought or flood, that impact growing conditions and the quantity and quality of crops yielded by food producers may adversely affect the availability or cost of certain products within the grocery supply chain.

Disruption to our supply chain and distribution network could have an adverse impact on our sales and results of operations.

Our sales and operating results could be adversely impacted if we are not able to provide goods and services in a timely and cost-effective manner. Factors that may disrupt our ability to maintain an uninterrupted supply chain and distribution network include adverse climate conditions, product recalls, crop conditions, availability of key commodities, regulatory actions, disruptions in technology, political or financial instability of suppliers, performance by outsourced service providers, transportation interruptions, labor supply or stoppages or vendor defaults or disputes, as well as other risk factors mentioned herein, any of which could also have an adverse effect on our sales and operating results.

Legal and Regulatory Risks

Our businesses are subject to laws and governmental regulations that could adversely impact our financial condition and results of operations.

Our businesses are subject to various federal, state and local laws, regulations and administrative practices that require us to comply with numerous provisions regulating areas such as environmental, health and sanitation standards, food safety, marketing of natural or organically produced food, facilities, pharmacies, equal employment opportunity, public accessibility, employee benefits, wages and hours worked and licensing for the sale of food, drugs, tobacco and alcoholic beverages, among others. For example:

Environmental, Health and Safety: Our operations are subject to extensive and increasingly stringent laws and regulations pertaining to the protection of the environment, including those relating to the discharge of materials into the environment, the disposal of food by-products, the handling, treatment and disposal of wastes, maintenance of refrigeration systems and remediation of soil and groundwater contamination. Compliance with existing or changing environmental and safety requirements, including more stringent limitations imposed or expected to be imposed in recently renewed or soon-to-be renewed environmental permits, may require capital expenditures.

Food Safety: There is increasing governmental scrutiny, regulations and public awareness regarding food quality and food and drug safety. We may be adversely affected if consumers lose confidence in the safety and quality of our food and drug products. Any events that give rise to actual or potential food contamination, drug contamination or food-borne illness or injury, or events that give rise to claims that our products are not of the quality or composition claimed to be, may result in product liability claims from individuals, consumers and governmental agencies, penalties and enforcement actions from government agencies, a loss of consumer confidence, harm to our reputation and could cause production and delivery disruptions, which may adversely affect our financial condition and results of operations. It may be necessary for us to recall unsafe, contaminated or defective products or we may recall products that we determine do not satisfy our quality standards. Recall costs and product liability claims can be material. While we generally seek contractual indemnification and insurance coverage from our suppliers, we might not be able to recover these significant costs from our suppliers.

Pharmacy: We are required to meet various security and operating standards and comply with the Controlled Substances Act and its accompanying regulations governing the sale, marketing, packaging, holding, record keeping and distribution of controlled substances. During the past several years, the United States healthcare industry has been subject to an increase in governmental regulation and audits at both the federal and state levels. For example, see Note 16-Commitments, Contingencies and Off-Balance Sheet Arrangements in Part II, Item 8 of this Annual Report on Form 10-K under the caption "Legal Proceedings" for a discussion of the administrative subpoena issued to us by the

DEA requesting, among other things, information on our pharmacy policies and procedures generally, as well as the production of documents that are required to be kept and maintained by us pursuant to the Controlled Substances Act and its implementing regulations. Additionally, the Patient Protection and Affordable Care Act made several significant changes to Medicaid rebates and to reimbursement. One of these changes was to revise the definition of the Average Manufacturer Price, a pricing element common to most payment formulas, and the reimbursement formula for multi-source (i.e., generic) drugs. This change will affect our reimbursement. In addition,

Table of Contents

the Patient Protection and Affordable Care Act made other changes that affect the coverage and plan designs that are or will be provided by many of our health plan clients, including the requirement for health insurers to meet a minimum medical loss ratio to avoid having to pay rebates to enrollees. These Patient Protection and Affordable Care Act changes may not affect our business directly, but they could indirectly impact our services and/or business practices.

Wage Rates and Paid Leave: Changes in federal or state minimum wage and overtime laws or employee paid leave laws could cause us to incur additional wage costs, which could adversely affect our operating margins.

Foreign Operations: Our supplier base includes domestic and foreign suppliers. In addition, we have customers located outside the United States and the acquisition of AG Florida expands our Wholesale business to additional international customers. Accordingly, political or financial instability in these foreign countries, changes in U.S. and foreign relationships, laws and regulations affecting the importation and taxation of goods, including duties, tariffs and quotas, or changes in the enforcement of those laws and regulations could adversely impact our financial condition and results of operations. In addition, we are required to comply with laws and regulations governing export controls, and ethical, anti-bribery and similar business practices such as the Foreign Corrupt Practices Act. Additionally, foreign currency exchange rates and fluctuations may have an effect on our future costs or on future cash flows from our foreign operations, and could adversely affect our financial condition and results of operations.

Failure to comply with government laws and regulations or make capital expenditures required to maintain compliance with governmental laws and regulations may adversely impact our business operations and prospects for future growth and our ability to participate in federal and state healthcare programs and may also result in monetary liabilities, claims, fines, penalties or other sanctions and may adversely affect our business, financial condition and operating results. We cannot predict the nature of future laws, regulations, interpretations or applications, nor can we determine the effect that additional governmental regulations or administrative orders, when and if promulgated, or disparate federal, state and local regulatory schemes would have on our future business.

Our businesses may become subject to legal proceedings that may adversely affect our financial condition and results of operations.

Our businesses are subject to the risk of legal proceedings by employees, unions, consumers, customers, suppliers, stockholders, debt holders, governmental agencies or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation or proceeding. The outcome of litigation, particularly class action lawsuits and regulatory actions, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large amounts, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. The cost to defend future litigation may be significant. There may also be adverse publicity associated with litigation that may decrease consumer confidence in our businesses, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation may adversely affect our financial condition and results of operations. See also “Item 3 Legal Proceedings” below.

Efforts to reduce pharmacy reimbursement levels and alter healthcare financing practices may adversely affect our results of operations.

The continued efforts of health maintenance organizations, managed care organizations, pharmacy benefit managers, government entities and other third-party payors to reduce prescription drug costs and pharmacy reimbursement rates may impact our profitability. The increase in preferred pharmacy networks has also had a negative impact on pharmacy reimbursement rates. Preferred pharmacy networks have lower reimbursements rates and associated performance fees that drive down profitability. Any inability to offset increased costs or to modify our activities to lessen the impact could have an adverse effect on our results of operations.

Table of Contents

Changes in tax laws and resulting regulations could result in changes to our tax provisions or benefits and subject us to additional tax liabilities or reduce the value of our tax attributes, which in either case could materially adversely affect our financial condition.

We are subject to income and other taxes. Changes in applicable tax laws and regulations, such as the December 2017 enactment of Federal legislation commonly referred to as the Tax Cuts and Jobs Act (“Tax Act”), or their interpretation and application, including the possibility of retroactive effect and changes to state tax laws that may occur in response to the Tax Act, could affect our tax expense and profitability. In addition, the final determination of any tax audits or related litigation could be materially different from our historical income tax provision and accruals. Changes in our tax provision or benefit or an increase in our tax liability, whether due to changes in applicable laws and regulation, the interpretation or application thereof, or a final determination of tax audits or litigation, could materially adversely affect our financial performance.

We may be unable to adequately protect our intellectual property rights, which could harm our business.

We rely on a combination of trademark, service mark trade secret, copyright and domain name law and internal procedures and nondisclosure agreements to protect our intellectual property. We believe our trademarks, private-label products and domain names are valuable assets. However, our intellectual property rights may not be sufficient to distinguish our products and services from those of our competitors and to provide us with a competitive advantage. From time to time, third parties may use names, logos and slogans similar to ours, may apply to register trademarks or domain names similar to ours, and may infringe or otherwise violate our intellectual property rights. Our intellectual property rights may not be successfully asserted against such third parties or may be invalidated, circumvented or challenged. Asserting or defending our intellectual property rights could be time consuming and costly and could distract management’s attention and resources. If we are unable to prevent our competitors from using names, logos, slogans and domain names similar to ours, consumer confusion could result, the perception of our brands and products could be negatively affected, and our sales and profitability could suffer as a result. In addition, if our Wholesale customers receive negative publicity or fail to maintain the quality of the goods and services used in connection with our trademarks, our rights to, and the value of, our trademarks could potentially be harmed. Failure to protect our proprietary information could also have an adverse effect on our business.

We may also be subject to claims that our activities or the products we sell infringe, misappropriate or otherwise violate the intellectual property rights of others. Any such claims can be time consuming and costly to defend and may distract management’s attention and resources, even if the claims are without merit, and may prevent us from using our trademarks in certain geographies or in connection with certain products and services, any of which could adversely affect our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our properties are in good condition, well maintained and suitable to carry on our business. Substantially all of our owned and ground-leased real estate is subject to mortgages to secure our credit facilities. Additional information on our properties can be found in Part I, Item 1 of this Annual Report on Form 10-K.

Distribution Centers

We operate and manage our distribution centers by geographic region. The following table is a summary of our distribution centers as of February 24, 2018.

Table of Contents

Distribution Center	Wholesale Region	Owned Square Footage (Approximate in thousands)	Leased Square Footage (Approximate in thousands)	Total Square Footage (Approximate in thousands)
Hopkins, MN	Central	1,847	—	1,847
Lancaster, PA(1)	East	—	—	1,559
Stockton, CA(2)(5)	West	990	312	1,302
Mechanicsville, VA	East	1,192	—	1,192
Seattle, WA(2)	West	—	960	960
Joliet, IL(5)	Central	949	—	949
Tacoma, WA	West	683	261	944
Milwaukie, OR(2)	West	923	—	923
Champaign, IL(5)	Central	893	—	893
Green Bay, WI(5)	Central	444	448	892
Fort Wayne, IN	Central	856	—	856
Commerce, CA(2)(5)	West	694	130	824
Quincy, FL	East	787	—	787
Pompano Beach, FL(3)(5)	East	779	—	779
Pittsburgh, PA	East	771	—	771
Harrisburg, PA(5)	East	754	—	754
Ocala, FL(3)	East	673	—	673
Anniston, AL	East	456	105	561
Indianola, MS	East	540	—	540
Stevens Point, WI	Central	431	—	431
Carlisle, PA	East	—	422	422
Fargo, ND	Central	324	—	324
Oglesby, IL(5)	Central	321	—	321
Santa Fe Springs, CA(2)	West	295	—	295
Billings, MT	Central	239	—	239
Anniston, AL	East	231	—	231
Bismarck, ND	Central	210	—	210
West Newell, IL	Central	174	—	174
Total continuing operations		16,456	2,638	20,653
St. Louis, MO(4)	n/a	547	—	547
Total		17,003	2,638	21,200

(1) The Lancaster, PA distribution center is currently operated by Supervalu and the land and buildings are owned by NAI. We intend to transfer the operations (including equipment, inventory and employees) of Lancaster to our recently acquired distribution center located in Harrisburg, PA.

(2) Property acquired through the Unified acquisition.

(3) Property acquired through the AG Florida acquisition.

(4) The St. Louis, MO distribution center is dedicated to providing products to our corporately owned and operated Shop ‘n Save retail stores. The distribution center and stores are now classified as held for sale and are reported as discontinued operations in the Consolidated Financial Statements.

(5) On April 23, 2018, we entered into a series of agreements relating to the sale-leaseback of these distribution centers.

Table of Contents

Retail Stores

Retail operates and manages its properties by retail banner. The following table summarizes retail stores under each banner as of February 24, 2018:

Retail Banner	Number of Stores	Primary Geographic Market Area	Owned Square Footage (Approximate in thousands)	Leased Square Footage (Approximate in thousands)	Total Square Footage (Approximate in thousands)
Cub Foods[(1)]	53	Minneapolis / St. Paul, Minnesota	1,108	2,461	3,569
Shoppers	52	Washington D.C. / Baltimore, Maryland	—	2,970	2,970
Hornbacher’s	8	Fargo, North Dakota	168	242	410
Rainbow[(2)]	1	Minneapolis / St. Paul, Minnesota	—	57	57
Total continuing operations	114		1,276	5,730	7,006
Shop ’n Save[(3)]	38	St. Louis, Missouri	371	1,774	2,145
Farm Fresh[(3)]	38	Virginia Beach, Virginia	56	1,823	1,879
Shop ’n Save East[(3)]	22	West Virginia, Maryland, Pennsylvania and Virginia	122	626	748
Total	212		1,825	9,953	11,778

(1) Cub Foods stores include stores in which we have a controlling ownership interest, and excludes 27 franchised Cub Foods stores in which we have a minority interest or no interest.

(2) Rainbow store count excludes one licensed Rainbow store.

(3) These retail banners have been classified as held for sale and are reported within discontinued operations in the Consolidated Financial Statements.

Corporate

We had approximately 2 million building square feet of surplus retail stores and warehouses, 88 percent of which was leased, and approximately 2 million of owned vacant land as of February 24, 2018.

We own approximately 345 thousand building square feet related to our principal executive offices in Eden Prairie, Minnesota and other facilities, and lease approximately 435 thousand building square feet related to other administrative offices.

In addition to our principal executive offices, we maintain a store support center in Boise, Idaho (which is owned by NAI and leased to us, but at which certain of our employees provide services to NAI and Albertson’s).

ITEM 3. LEGAL PROCEEDINGS

We are subject to various lawsuits, claims and other legal matters that arise in the ordinary course of conducting business. In the opinion of management, based upon currently available facts, the likelihood that the ultimate outcome of any lawsuits, claims and other proceedings will have a material adverse effect on the overall results of our operations, cash flows or financial position is remote. See Note 16—Commitments, Contingencies and Off-Balance Sheet Arrangements in Part II, Item 8 of this Annual Report on Form 10-K under the caption “Legal Proceedings” for a discussion of certain of our legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange under the symbol SVU. As of April 20, 2018, there were 9,215 stockholders of record.

Table of Contents

Common Stock Price

	Common Stock Price Range(1)			
	2018		2017	
Fiscal	High	Low	High	Low
First Quarter	$31.29	$20.51	$43.19	$30.87
Second Quarter	26.51	19.16	40.18	28.98
Third Quarter	22.36	14.55	38.43	28.56
Fourth Quarter	22.17	13.60	35.91	25.48
Year	$31.29	$13.60	$43.19	$25.48

(1) Certain share prices have been restated to give effect to the 1-for-7 reverse stock split effective on August 1, 2017. Refer to Note 12—Net Earnings (Loss) Per Share in Part II, Item 8 of this Annual Report on Form 10-K for additional information regarding the reverse stock split.

Common Stock Dividends

We did not declare any dividends in fiscal 2018 or fiscal 2017 and have no current intent to pay dividends. We are limited in the aggregate amount of dividends that we may pay under the terms of our term loan facility (the "Secured Term Loan Facility") and our $1,000 asset-based revolving credit facility (the "Revolving ABL Credit Facility") and would need to meet certain conditions under these credit facilities before paying a dividend, as described in Note 9—Long-Term Debt in Part II, Item 8 of this Annual Report on Form 10-K. The payment of any future dividends is subject to the discretion of our Board of Directors and the requirements of Delaware law, and will depend on a variety of factors that our Board of Directors may deem relevant.

Purchases of Equity Securities

The following table provides information regarding our purchase of shares of our common stock for the periods indicated:

(in millions, except shares and per share amounts) Period (1)	Total Number of Shares Purchased (2)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
First four weeks				
December 3, 2017 to December 30, 2017	—	$ —	—	$ —
Second four weeks				
December 31, 2017 to January 27, 2018	1,009	$ 16.25	—	$ —
Third four weeks				
January 28, 2018 to February 24, 2018	—	$ —	—	$ —
Totals	1,009	$ 16.25	—	$ —

(1) The reported periods conform to our fiscal calendar, which consists of thirteen 28-day periods. The fourth quarter of fiscal 2018 contains three 28-day periods.

(2) These amounts represent the deemed surrender by participants in our compensatory stock plans of 1,009 shares of previously issued common stock. These amounts are in payment of the purchase price for shares acquired pursuant to the exercise of stock options and satisfaction of tax obligations arising from such exercises, as well as from the vesting of restricted stock awards granted under such plans.

Stock Performance Graph

The following graph compares the yearly change in total cumulative stockholder return on our common stock for the period from the end of fiscal 2013 to the end of fiscal 2018 to that of the Standard & Poor's ("S&P") SmallCap 600 and a group of peer companies in the grocery distribution and retail industries. The stock price performance shown below is not necessarily indicative of future performance.

Table of Contents

COMPARISON OF CUMULATIVE TOTAL STOCKHOLDER RETURN AMONG
Supervalu, S&P SmallCap 600 and Peer Group[(1)]
February 23, 2013 through February 24, 2018[(2)]

Date	Supervalu	S&P SmallCap 600	Peer Group[(3)]
	(in dollars)		
February 22, 2013	$100.00	$ 100.00	$ 100.00
February 21, 2014	$158.44	$ 129.35	$ 115.61
February 27, 2015	$256.62	$ 142.03	$ 131.88
February 26, 2016	$128.05	$ 129.37	$ 136.98
February 24, 2017	$101.82	$ 175.58	$ 172.70
February 23, 2018	$50.92	$ 197.38	$ 190.09

(1) Total return assuming $100 invested on February 22, 2013 and reinvestment of dividends on the day they were paid.

(2) Our fiscal year ends on the last Saturday in February.

(3) Our peer group consists of SpartanNash Corporation, United Natural Foods, Incorporated, Sysco Corporation and Ingles Incorporated.

The performance graph above is being furnished solely to accompany this Annual Report on Form 10-K pursuant to Item 201(e) of Regulation S-K, is not being filed for purposes of Section 18 of the Exchange Act and shall not be deemed soliciting material, and is not to be incorporated by reference into any filing of Supervalu, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected historical financial data for the past five years. The selected financial data presented below for fiscal 2018 reflect Unified's and AG Florida's financial information for fiscal 2018 since their acquisition dates as of June 23, 2017 and December 8, 2017, respectively, and reflect their stores supplied and operated as of the end of fiscal 2018. All periods presented have been recast, as applicable, to present the results of operations and financial position of Farm Fresh, Shop 'n Save and Shop 'n Save East being held for sale and reported within discontinued operations. See Note 18—Discontinued Operations in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

(Dollars and shares in millions, except per share data and stores)	2018 (52 weeks)	2017 (52 weeks)	2016 (52 weeks)	2015 (53 weeks)	2014 (52 weeks)
Results of Operations					
Net sales	$14,157	$10,912	$11,283	$11,514	$11,239
Operating earnings	193	195	241	164	168
Net earnings (loss) from continuing operations	49	35	49	(23)	(133)
Net earnings (loss) from continuing operations per share—diluted(1)	$1.25	$0.81	$1.06	$(0.82)	$(3.86)
Weighted average shares outstanding—diluted(1)	38	38	38	38	36
Financial Position					
Total assets	$4,387	$3,580	$4,370	$4,434	$4,283
Total debt and capital lease obligations	$1,923	$1,475	$2,524	$2,693	$2,734
Stockholders' equity (deficit)	$505	$376	$(441)	$(646)	$(738)
Other Statistics of Continuing Operations					
Depreciation and amortization	$197	$173	$175	$186	$198
Adjusted EBITDA(2)	$436	$418	$434	$426	$399
Stores Supplied and Operated:					
Wholesale primary stores(3)	3,323	1,902	1,796	1,825	1,819
Retail stores	114	115	117	111	106
Subtotal	3,437	2,017	1,913	1,936	1,925
Wholesale secondary stores(4)	2,462	244	232	208	424
Total number of stores	5,899	2,261	2,145	2,144	2,349

(1) Per share and shares outstanding figures have been restated to give effect to the 1-for-7 reverse stock split effective on August 1, 2017. Refer to Note 12—Net Earnings (Loss) Per Share in Part II, Item 8 of this Annual Report on Form 10-K for additional information regarding the reverse stock split.

(2) Adjusted EBITDA is a non-GAAP financial measure provided as a supplement to results of operations and related analysis, and should not be considered superior to, a substitute for or an alternative to any financial measure of performance prepared and presented in accordance with GAAP (defined below). Refer to the "Non-GAAP Financial Measures" section of Part II, Item 7 of this Annual Report on Form 10-K for a reconciliation to the applicable GAAP financial measure and additional information regarding our use of non-GAAP financial measures.

(3) Wholesale primary stores is defined as a customer location that has received over a certain dollar threshold of Wholesale product for each of the last three fiscal periods in a given quarter and purchases two or more product groups.

(4) Wholesale secondary stores is defined as a customer location that has received over a certain dollar threshold of Wholesale product for each of the last three fiscal periods in a given quarter but fails to meet the criteria to be a primary store. The acquisition of Unified increased the secondary store count substantially because of its smaller Wholesale customer store size and its distribution of one product group to customer stores.

Historical data is not necessarily indicative of our future results of operations or financial condition. See discussion of "Risk Factors" in Part I, Item 1A of this Annual Report on Form 10-K.

23

Table of Contents

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars and shares in millions, except per share data)

This Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the audited Consolidated Financial Statements and the information contained under the captions “Risk Factors” and “Cautionary Statements for Purposes of the Safe Harbor Provisions of the Private Securities Litigation Reform Act” contained in this Annual Report on Form 10-K.

The results of operations, financial position and cash flows of three retail banners, formerly reported within the Retail segment, and Save-A-Lot are reported as discontinued operations for all periods presented. See Note 18—Discontinued Operations in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

EXECUTIVE OVERVIEW

Business Overview

As the largest public company grocery wholesaler in the United States, our core Wholesale business distributes grocery and other products and provides services to retailers across the United States. Our Wholesale business serves a diverse and dynamic customer base, including our Retail segment, that benefits from our scale efficiencies, broad product assortment including, an industry-leading portfolio of private brands and unique ethnic and specialty products, and services offering. We also operate three Retail banners in our continuing operations. Our business is classified into two reportable segments: Wholesale and Retail.

Strategic Business Transformation

We have been undergoing a strategic transformation since 2016 to become the wholesale supplier of choice for grocery retailers across the United States, while also executing initiatives to deliver long-term shareholder value. Our sale of Save-A-Lot for $1.3 billion in fiscal 2017 significantly reduced our debt, eliminated significant capital expenditures for Save-A-Lot’s retail business and provided flexibility and increased resources available to invest in our strategic business transformation. In fiscal 2018, we continued our strategic transformation by growing and investing in our Wholesale business through the acquisitions of Unified Grocers, Inc. (“Unified”) and Associated Grocers of Florida, Inc. (“AG Florida”) as well as new distribution centers in Harrisburg, PA and Joliet, IL. This growth of our Wholesale business and distribution network builds upon the value proposition we offer customers including creating greater scale and efficiencies, building capabilities and expanding our product assortment, and developing our value-added services.

Our ongoing transformation in fiscal 2018 was guided by our four strategic pillars:

- Grow our Core Wholesale Business

The addition of more than $5 billion in run-rate sales to grow our core Wholesale business to nearly $13 billion when annualizing the sales from Unified and AG Florida. These acquisitions plus the addition of significant new Wholesale customers, such as The Fresh Market, drove this growth in fiscal 2018.

We made strategic capital investments of approximately $135 in fiscal 2018 toward the purchase and improvement of distribution warehouses, including Harrisburg, PA and Joliet, IL, to support the growth of our Wholesale business including our Market Centre division that supplies specialty and ethnic foods and non-food products, to solidify our East Coast distribution and to enable further growth in certain key markets.

- Optimize our Asset Base

We entered into agreements to sell a majority of our Farm Fresh retail stores and pharmacy assets for a total of $53 in March 2018.

We announced that we are pursuing the sale of our corporately owned and operated retail operations of Shop n’ Save (based in St. Louis) and Shop ‘n Save East (with stores in West Virginia, Maryland, Pennsylvania and Virginia) in April 2018. These operations along with Farm Fresh are now reported in discontinued operations.

These three retail banners had generated combined losses in fiscal 2018 from operations and Adjusted EBITDA in each case prior to discontinued operations presentation, which previously included the impact of corporate and additional supply chain expense allocations, and other expense.

We sold our minority interest in an entity that operates multiple franchised Cub Foods stores in the Minneapolis / St. Paul, Minnesota market in February 2018.

Table of Contents

- De-lever the Balance Sheet

We completed the sale of Save-A-Lot for $1.3 billion in December 2016, significantly reducing our debt, fundamentally improving our balance sheet, eliminating high levels of capital expenditures for retail operations, and increasing flexibility and resources available to execute our wholesale growth strategy.

We announced a sale leaseback transaction in April 2018 for eight of our distribution centers with expected gross proceeds of approximately $483 before costs and taxes which net proceeds will be used to further reduce outstanding debt and fundamentally improve our balance sheet.

- Strategic and Opportunistic Mergers and Acquisitions

We expanded our Wholesale business and distribution network on the West Coast through the acquisition of Unified on June 23, 2017, a business that had $3.7 billion of annual net sales, including Market Centre.

We expanded our Wholesale business and distribution network in Florida through the acquisition of AG Florida on December 8, 2017, a business that had $0.6 billion in annual net sales, including international customers and specialty and ethnic foods to local wholesale customers.

We have increased our expected run-rate cost synergies to approximately $95 to be achieved by the end of third year following the respective closings of the Unified and AG Florida transactions, of which we realized approximately $23 in fiscal 2018.

We expect the food wholesale industry consolidation to continue and believe our strategy enables us to build upon the recent acquisitions of Unified and AG Florida to further grow and expand capabilities through merger and acquisition opportunities.

The following charts illustrate management's transformation of our business from retail operations to wholesale:

(1) Total net sales of SUPERVALU INC. reflects the following: Wholesale represents our reportable Wholesale segment net sales; Retail represents the combination of our Retail reportable segment's net sales and our net sales reported from three retail banners reported in discontinued operations; Corporate reflects our Corporate functions results as reported; and Save-A-Lot reflects the discontinued operations of the Save-A-Lot business until its disposal date in fiscal 2017 and remaining expenses of prior discontinued operations. Refer to Note 17—Segment Information and Note 18—Discontinued Operations within Part II, Item 8. of this Annual Report on Form 10-K for the underlying information used in these charts.

(2) Wholesale net sales only reflect Unified's and AG Florida's results since their acquisition dates of June 23, 2017 and December 8, 2017, respectively.

Table of Contents

(1) The information used in this chart was compiled from amounts disclosed in the Results of Operations section below and the Annual Report on Form 10-K for the fiscal year ended February 25, 2017.

(2) Unified's net sales reflect net sales since the acquisition date of June 23, 2017. On a pro forma basis, Unified's net sales would have been $3,715 if its sales results for the 16 weeks in fiscal 2018 prior to the acquisition date had been included. AG Florida's net sales reflect sales since the acquisition date of December 8, 2017. On a pro forma basis, AG Florida's net sales would have been $644 if its sales results for the 41 weeks in fiscal 2018 prior to the acquisition date had been included. Pro Forma Fiscal 2018 includes 52-weeks of net sales from Unified and AG Florida, as if the acquisitions would have closed on the first day of the fiscal 2018.

Business Strategies and Initiatives

Wholesale:

- Retaining existing customers by anticipating, listening to and meeting our customer needs and differentiating ourselves through our service levels, pricing, product offerings and professional services
- Growing our business with existing customers by marketing our fresh product offerings, such as produce, our ethnic and specialty capabilities and our professional service offerings to help our customers compete and grow their business, including retail store support, advertising, couponing, e-commerce, network and data hosting solutions, training and certifications classes, and administrative back-office solutions
- Affiliating new customers, including traditional and non-traditional formats, and aggressively pursuing external growth and market opportunities
- Integrating and realizing synergies from the acquisitions of Unified and AG Florida, including optimizing our distribution network, leveraging combined procurement volume and expanding enhanced professional services offerings to acquired customers
- Expanding the Market Centre product offerings into our supply chain and continuing to optimize our product offerings to anticipate and meet our customer's needs
- Improving the efficiency and optimization of our distribution network, real estate, information technology infrastructure and logistics, and scaling the use of trucking miles and warehouse capacity as we grow our wholesale business
- Strengthening core merchandising and marketing programs, including leveraging our private-label programs, such as the Essential Everyday® and Equaline® labels, while marketing and adding depth to the Wild Harvest® and Culinary Circle® brands

Table of Contents

Retail:

- Driving profitable sales through competitive pricing and strong, event-based promotions, and enhancing merchandising displays and product offerings such as Quick & Easy meal solutions including meal kits and grab 'n go options for Retail stores and Wholesale customers
- Driving improved store performance, including reducing inventory shrink rates and levels of out-of-stocks, through standardizing certain store processes
- Continued development and introduction of our private-label products, including organic products, by providing innovative products in multiple channels across Retail and Wholesale
- Targeted and innovative capital investments in our continuing operations banners for new stores, relocations and store remodels

Corporate:

- Continued management of overhead cost structure to ensure competitive pricing to customers
- Providing high-quality administrative support services by enhancing service offerings and information technology systems
- Leveraging our professional services capabilities to grow our services business

Recent Developments

Acquisitions of Associated Grocers of Florida, Inc. and Unified Grocers, Inc.

On December 8, 2017, we completed the acquisition of AG Florida pursuant to the terms of an Agreement and Plan of Merger dated October 17, 2017 (the "AG Merger Agreement") by and among SUPERVALU INC., Gator Merger Sub, Inc., a then wholly owned subsidiary of SUPERVALU INC. ("AG Merger Sub"), and AG Florida. Prior to the transaction, AG Florida was a retailer-owned cooperative. AG Florida distributes full lines of grocery and general merchandise to independent retailers, primarily in South Florida, the Caribbean, Central and South America and Asia. Effective as of the closing of the transaction, AG Merger Sub merged with and into AG Florida with AG Florida surviving as a wholly owned subsidiary of Supervalu. The transaction was valued at $193, comprised of $131 in cash for 100 percent of the outstanding stock of AG Florida plus the assumption and payoff of AG Florida's net debt of $62 at closing.

On June 23, 2017, we completed the acquisition of Unified pursuant to the terms of an Agreement and Plan of Merger dated April 10, 2017 (the "Merger Agreement") by and among SUPERVALU INC., West Acquisition Corporation, a then wholly owned subsidiary of SUPERVALU INC. ("Unified Merger Sub"), and Unified. Prior to the transaction, Unified was a cooperative owned by its retailer members. Effective as of the closing of the transaction, Unified Merger Sub merged with and into Unified with Unified surviving as a wholly owned subsidiary of Supervalu. The transaction was valued at $390, comprised of $114 in cash for 100 percent of the outstanding stock of Unified plus the assumption and payoff of Unified's net debt of $276 at closing.

The acquisitions of AG Florida and Unified are complementary to our wholesale business and they uniquely position us to serve a broader range of independent customers, offer a diverse array of value added services and further help our Wholesale customers to compete in an increasingly demanding grocery environment. In addition, these acquisitions provide opportunities across multiple geographies and are an important part of our ongoing growth effort, including international growth efforts and the expansion of Unified's Market Centre division, a growing business providing specialty and ethnic products to independent customers.

Refer to Note 2—Business and Asset Acquisitions in Part II, Item 8 of this Annual Report on Form 10-K for additional information regarding the acquisitions of AG Florida and Unified.

Sale of Certain Farm Fresh Operations

On March 14, 2018, we announced our intention to exit the Farm Fresh banner and our entry into agreements to sell 21 of our 38 Farm Fresh retail stores and pharmacy assets for a total of $53, which we anticipate will result in a gain on the sale of these assets in the first quarter of fiscal 2019. The transactions are currently expected to close in May 2018, subject to customary closing conditions. We are working with a third party to liquidate the inventory at these Farm Fresh stores. We are continuing discussions and exploring potential transactions to sell the remaining Farm Fresh stores to current and prospective Wholesale customers and certain Farm Fresh employees.

Sale Leaseback Agreements

On April 23, 2018, we entered into a series of agreements relating to the sale of eight of our distribution centers for an aggregate purchase price, excluding taxes and closing costs, of approximately $483. The estimated net proceeds after taxes and costs are expected to be approximately $445. We intend to use the net proceeds to pay down outstanding debt. Subject to customary closing conditions, upon closing of the sale of the properties, we will enter into lease agreements for each of the properties for initial terms of 20 years with five five-year renewal options, that are expected to qualify for sale-leaseback accounting and be classified as

Table of Contents

operating leases. Any gain on the sale of these properties will be deferred and amortized over the term of the leases. The aggregate initial annual rent payment for the eight properties is expected to be approximately $31 with scheduled rent increases occurring generally every one or five years over the initial 20-year term. Of these eight transactions, which are subject to closing conditions, seven are expected to be completed during the first quarter and one is expected to be completed in the third quarter of fiscal 2019.

Retail Discontinued Operations

During the fourth quarter of fiscal 2018, we announced the exit of our Farm Fresh banner and that we are pursuing the sale of our corporately owned and operated retail operations consisting of Farm Fresh, Shop ‘n Save in the St. Louis, Missouri area (“Shop ‘n Save”) and Shop ‘n Save stores located in Maryland, Pennsylvania and West Virginia (“Shop ‘n Save East”). These retail assets have been classified as held for sale and the historical results of operations, financial position and cash flows directly attributable to these operations are now reported within discontinued operations in our Consolidated Financial Statements for all periods presented. Throughout this Annual Report on Form 10-K references to the Retail segment exclude these retail assets that are held for sale. The assets of these retail operations were recorded at their estimated fair value less costs to sell. No impairment charges were recorded as a result of the classification of these assets as held for sale because previous impairment charges have been recorded that have already written down the individual long-lived assets to their fair value.

U.S. Tax Reform

On December 22, 2017, the U.S. government enacted comprehensive tax legislation under the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act makes broad and complex changes to the U.S. tax code, including reducing the U.S. federal corporate tax rate from 35 percent to 21 percent, effective January 1, 2018. Shortly after the Tax Act was enacted, the SEC issued accounting guidance, which provides a one-year measurement period during which a company may complete its accounting for the impacts of the Tax Act. To the extent a company’s accounting for certain income tax effects of the Tax Act is incomplete, the company may determine a reasonable estimate for those effects and record a provisional estimate in its financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply the provisions of the tax laws that were in effect immediately prior to the Tax Act being enacted.

As a result of the Tax Act, we recorded a discrete income tax expense of $31 million in fiscal 2018 associated with the remeasurement of deferred tax assets and liabilities as a result of the reduction in the U.S. federal corporate tax rate. We have not completed our accounting for the income tax effects of certain elements of the Tax Act, but recorded provisional adjustments based on reasonable estimates. Those estimates may be impacted by the need for further analysis and future clarification and guidance regarding available tax accounting methods and elections, state tax conformity to federal tax changes, and expected changes to U.S. Treasury regulations. These provisional estimates may materially change with further analysis and new federal guidance or state law changes. We anticipate these estimates will be finalized on or before the due date of our federal and state income tax returns.

Fiscal 2018 Overview

Continuing Operations Financial Highlights for Fiscal 2018 Compared to Fiscal 2017:

- Net sales were $14,157, an increase of $3,245 or 29.7 percent, primarily due to sales from the acquired Unified business, higher sales from new Wholesale customers and stores and sales from the acquired AG Florida business, offset in part by lower sales due to stores no longer operated by customers, lower identical store sales in the Retail business, lower military sales, lower sales from closed Retail stores and lower service agreement revenue.
- Gross profit was $1,451, an increase of $56 or 4.0 percent. Wholesale gross profit increased $108, which was partially offset by a decrease in Retail gross profit of $33 and a decrease in Corporate gross profit of $19. The increase in Gross profit primarily reflects increases in gross margins from increased net sales including from the acquired Unified business, offset in part by higher Wholesale trucking costs and employee-related costs associated with higher sales volumes, and lower Retail gross margins from decreased sales.
- Operating earnings were $193, a decrease of $2, which primarily reflects higher employee-related costs from the acquired Unified business, merger and integration costs and lower Retail gross margins, offset in part by lower pension settlement and goodwill impairment charges in fiscal 2017 and increases in gross profit discussed above and lower pension expense.

- Interest expense, net was $132, a decrease of $48, primarily due to lower average outstanding debt balances.
- Net earnings from continuing operations were $49, an increase of $14, and diluted net earnings per share from continuing operations increased $0.44, in each case, primarily due to the items described above.
- Net cash provided by operating activities of continuing operations was $139, a decrease of $94, due to higher levels of cash utilized in operating assets and liabilities, such as accounts payable and accrued liabilities, and inventories, which were offset in part by $60 of lower contributions to benefit plans.

Table of Contents

- Net cash used in investing activities of continuing operations was $494, an increase of $345, primarily due to cash paid to acquire Unified and AG Florida, and two distribution centers located in Harrisburg, PA and Joliet, IL, all in fiscal 2018.
- Net cash provided by financing activities of continuing operations was $88, compared to a use of cash of $1,107, an increase in cash provided by financing activities of continuing operations of $1,195, primarily due to the delayed draw under our term loan facility of $315, which was drawn down in full in fiscal 2018 for the purpose of consummating the acquisition of Unified, borrowings in fiscal 2018 of $127 compared to net payments of $138 in fiscal 2017 under the Revolving ABL Credit Facility, new loans in fiscal 2018 to finance the Harrisburg, PA distribution center acquisition and related improvements, and debt repayments of $99 made in fiscal 2017 that were not required in fiscal 2018. These items were partially offset by the repayment of acquired debt of $285 and $64 associated with the acquisitions of Unified and AG Florida, respectively.

Impact of Inflation and Deflation

We monitor product cost inflation and deflation and evaluate whether to absorb cost increases or decreases, or pass on pricing changes. We have experienced a mix of inflation and deflation across product categories within our business segments during fiscal 2018.

In aggregate across all of our businesses and taking into account the mix of products, management estimates our businesses experienced single digit cost inflation in fiscal 2018. The Wholesale and Retail business segments experienced cost inflation within the produce product category and inflation within the meat product categories. Cost inflation and deflation estimates are based on individual like items sold during the periods being compared.

Changes in merchandising, customer buying habits and competitive pressures create inherent difficulties in measuring the impact of inflation and deflation on Net sales and Gross profit. Absent any changes in units sold or the mix of units sold, deflation has the effect of decreasing sales.

Competitive Environment

The United States grocery business is highly competitive and management expects operating results will continue to be impacted by the effects of operating in a highly competitive and price-sensitive marketplace. Our Retail segment continues to be impacted by price competition, competitive store openings and a challenging sales and operating environment. This environment contributes to lower sales from identical retail stores, which impacts Gross profit and Operating earnings. These factors affecting the Retail segment are expected to impact fiscal 2019.

Services Agreements

We provide back-office administrative support services under transition services agreements (“TSA”) with New Albertson’s, Inc. (“NAI”) and Albertson’s LLC and also provide services as needed to transition and wind down the TSA with NAI and Albertson’s LLC. On October 17, 2017, we entered into a letter agreement with each of Albertson’s LLC and NAI pursuant to which the parties agreed that the TSA would expire on September 21, 2018 as to those services that we are providing to Albertson’s LLC and NAI. We will continue to provide transition and wind down services as previously agreed. In addition, we will provide services to Albertson’s LLC for one distribution center until at least October 2018, and NAI may notify us that it requires services for certain stores beyond September 21, 2018. The fees for these extended services, if any, will be the same per-store weekly fee (subject to a minimum fee) and the same weekly fee for the distribution center that Albertson’s LLC and NAI pay to us currently. The parties do not expect any of these services, or any of the transition and wind down services, to extend beyond April 2019. We also agreed that Albertson’s would no longer provide services to us after September 21, 2019. We expect the revenue under the TSA will be approximately $55 in fiscal 2019 and $0 in fiscal 2020. With this revenue decline, Adjusted EBITDA with respect to the TSA is expected to decline by up to $50 in fiscal 2019 and by up to another $40 in fiscal 2020.

In connection with the sale of Save-A-Lot on December 5, 2016, we entered into a services agreement (the “Services Agreement”) with Moran Foods, LLC (“Moran Foods”), the entity that operates the Save-A-Lot business. Pursuant to the Services Agreement, we provide certain technical, human resources, finance and other operational services to Save-A-Lot for a term of five years, on the terms and subject to the conditions set forth therein. The initial annual base charge under the Services Agreement is $30, subject to adjustments. Moran Foods may terminate the Services Agreement in the event of our material breach, if we breach our non-compete obligations under the Merger Agreement, if we are acquired by a third party that engages in a Competing Business (as defined in the Merger

Agreement) or in the event of our bankruptcy or insolvency, in each case, subject to certain limitations set forth in the Services Agreement. In addition, Moran Foods may terminate certain services or service categories if we commit a breach that is material to the service category or if we fail to meet certain minimum specified service levels, in each case, subject to certain limitations set forth in the Services Agreement. We may terminate the Services Agreement in the event of Moran Foods’ material breach, for Moran Foods’ failure to make timely payment, for certain legal or

Table of Contents

regulatory changes and in the event of Moran Foods' bankruptcy or insolvency, in each case, subject to certain limitations set forth in the Services Agreement. The Services Agreement generally requires each party to indemnify the other party against third-party claims arising out of the performance of or the provision or receipt of services under the Services Agreement.

RESULTS OF OPERATIONS

Consolidated results of operations for fiscal 2018, 2017 and 2016 are as follows:

	2018 (52 weeks)		2017 (52 weeks)		2016 (52 weeks)	
Net sales	$14,157	100.0 %	$10,912	100.0 %	$11,283	100.0 %
Cost of sales	12,706	89.7	9,517	87.2	9,812	87.0
Gross profit	1,451	10.3	1,395	12.8	1,471	13.0
Selling and administrative expenses	1,258	8.9	1,187	10.9	1,224	10.8
Goodwill and intangible asset impairment charges	—	—	13	0.1	6	0.1
Operating earnings	193	1.4	195	1.8	241	2.1
Interest expense, net	132	0.9	180	1.6	193	1.7
Equity in earnings of unconsolidated affiliates	(16)	(0.1)	(5)	—	(5)	—
Earnings from continuing operations before income taxes	77	0.5	20	0.2	53	0.5
Income tax provision (benefit)	28	0.2	(15)	(0.1)	4	—
Net earnings from continuing operations	49	0.3	35	0.3		