

Fresh Market, Inc.
Form S-1
March 23, 2011
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As filed with the Securities and Exchange Commission on March 22, 2011.

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-1
REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

THE FRESH MARKET, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

5411
(Primary Standard Industrial

56-1311233
(I.R.S. Employer

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incorporation or organization)

Classification Code Number)

Identification Number)

628 Green Valley Road, Suite 500
Greensboro, North Carolina 27408
(336) 272-1338

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Scott Duggan
Senior Vice President and General Counsel
The Fresh Market, Inc.

628 Green Valley Road, Suite 500
Greensboro, North Carolina 27408
(336) 272-1338

(Name and address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Craig F. Arcella
Cravath, Swaine & Moore LLP
Worldwide Plaza
825 Eighth Avenue
New York, New York 10019-7475
(212) 474-1000
Fax: (212) 474-3700

Robert Evans III
Shearman & Sterling LLP
599 Lexington Avenue
New York, New York 10022
(212) 848-4000
Fax: (212) 848-7179

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company.

Large accelerated filer	"	Accelerated filer	"
Non-accelerated filer	x	Smaller reporting company	"

CALCULATION OF REGISTRATION FEE

Title of Each Class of	Amount	Proposed Maximum	Proposed Maximum Aggregate	Amount of
Securities to be Registered	to be Registered ⁽¹⁾	Offering Price Per Unit ⁽²⁾	Offering Price ⁽¹⁾⁽²⁾	Registration Fee
Common Stock, \$0.01 par value per share	11,500,000 shares	\$40.78	\$468,970,000	\$54,448

⁽¹⁾ Includes shares to be sold upon exercise of the underwriters' over-allotment option. See "Underwriting."

⁽²⁾ Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, and is based upon the average of the high and low sales prices of the Company's common stock as reported on the NASDAQ Global Select Market on March 21, 2011.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus dated March 22, 2011

PROSPECTUS

Shares

The Fresh Market, Inc.

Common Stock

The selling stockholders are selling _____ shares of our common stock. We will not receive any proceeds from the sale of shares by the selling stockholders.

Our common stock is listed on The NASDAQ Global Select Market under the symbol TFM . On March 21, 2011, the last reported sale price of our common stock on The NASDAQ Global Select Market was \$[] per share.

Investing in our common stock involves risks that are described in the Risk Factors section beginning on page 9 of this prospectus.

	Per Share	Total
Public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to the selling stockholders	\$	\$

The underwriters may also purchase up to an additional _____ shares from the selling stockholders, at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallocments, if any.

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about _____, 2011.

Joint Book-Running Managers

J.P. Morgan

BofA Merrill Lynch

Morgan Stanley

William Blair & Company

RBC Capital Markets

The date of this prospectus is _____, 2011.

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We have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you.

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PROSPECTUS SUMMARY

This summary contains a brief overview of the key aspects of this offering. This summary is not complete and does not contain all of the information that you should consider before investing in our common stock. You should read this entire prospectus carefully, including the risks discussed under Risk Factors and the financial statements and notes thereto included elsewhere in this prospectus. Some of the statements in this summary constitute forward-looking statements. See Special Note Regarding Forward-Looking Statements .

Our Company

The Fresh Market is a high-growth specialty retailer focused on creating an extraordinary food shopping experience for our customers. Since opening our first store in 1982, we have offered high-quality food products, with an emphasis on fresh, premium perishables and an uncompromising commitment to customer service. We seek to provide an attractive, convenient shopping environment while offering our customers a compelling price-value combination. As of March 18, 2011, we operated 101 stores in 20 states, primarily in the Southeast, Midwest and Mid-Atlantic United States.

Our business is characterized by the following key elements:

Differentiated food shopping experience. We provide a differentiated shopping experience that generates customer loyalty and favorable word-of-mouth publicity. We combine fresh, carefully-selected, high-quality food products focused on perishable categories, with a level of customer attention that we believe is superior to conventional grocers, and we strive to create a neighborhood grocer atmosphere.

Smaller-box format and flexible real estate strategy. Our stores average approximately 21,000 square feet, compared to the approximately 40,000 to 60,000 square foot stores operated by many conventional supermarkets. Within this relatively smaller size, we focus on higher-margin food categories and strive to deliver a more personal level of service and a more enjoyable shopping experience.

Disciplined, comprehensive approach to planning and merchandising. We provide comprehensive support to our stores that includes employee training and scheduling, store design and layout, merchandising programs, product sourcing, and numerous inventory management systems, primarily focused on perishables. We believe our disciplined, comprehensive approach allows us to quickly integrate newly-hired employees, deliver predictable financial performance and expand our store base while delivering a consistent shopping experience.

We believe our high-quality perishable food offerings and smaller, customer-friendly store environment are the key drivers of our differentiated, profitable business model. We strive to offer an extraordinary shopping experience based on quality, consistency, fairness and integrity for our customers and employees.

For the year ended December 31, 2010, our sales were \$974.2 million, an increase of 13.0% from the year ended December 31, 2009. Our income from operations was \$40.9 million for the year ended December 31, 2010, a decrease of 23.0% from the year ended December 31, 2009. Our adjusted income from operations, which excludes the impact of certain charges related to our initial public offering, was \$69.7 million, an increase of 31.3% from the year ended December 31, 2009. Adjusted income from operations is a non-GAAP financial measure. See Summary Financial Information and Other Data for our discussion of adjusted income from operations and a reconciliation to reported income from operations.

Our Competitive Strengths

We attribute our success in large part to the following competitive strengths:

Outstanding food quality, store environment and customer service. We are dedicated to delivering a superior shopping experience that exceeds our customers' expectations by offering fresh, premium products and providing a high level of customer service. Our high-quality food offerings are the result of our careful selection of

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distinct products. Additionally, our stores are designed to delight our customers' senses with an aesthetically pleasing environment.

Business well positioned for changing consumer trends. We believe that our company is well positioned to capitalize on evolving consumer preferences and other trends currently shaping the food retail industry, which include:

a growing emphasis on the customer shopping experience;

an increasing consumer focus on healthy eating choices and fresh, quality offerings;

an improving perception of private-label product quality; and

an increasing number of older people, a demographic that is expected to account for a disproportionately higher share of food-at-home spending by households.

Highly-profitable smaller-box format. Since our founding, we have exclusively operated a smaller-box format, which has proven to be highly profitable. Within this format, we focus on higher-margin food categories. Our disciplined, exclusive focus on the smaller-box format leads to consistent execution across our store base, which we believe allows us to generate higher operating margins than conventional supermarkets.

Scalable operations and replicable store model. We believe that our infrastructure, including our management systems and distribution network, enables us to replicate our profitable store format and differentiated shopping experience. We expect this infrastructure to be capable of supporting significant expansion. We outsource substantially all of our logistics functions to third-party distributors or vendors whom we expect to have sufficient capacity to accommodate our anticipated growth. Each of our stores utilizes standard product display fixtures that enable us to successfully replicate our customers' shopping experience.

Experienced management team with proven track record. Our executive management team has extensive experience across a broad range of industries and is complemented by merchandising and operations management with extensive food retail experience. Our team employs an analytical, data-driven approach to decision-making that is designed to encourage innovation and stimulate continuous improvement throughout the organization.

Our Growth Strategy

We are pursuing several strategies in order to continue our profitable growth, including:

Expand our store base. We intend to continue to expand our store base and penetrate new markets. We view expansion as a core competency and have more than tripled our store count since 2000. Based upon our operating experience and research conducted for us by The Buxton Company, a customer analytics research firm, we believe that the U.S. market can support at least 500 The Fresh Market stores operating under our current format.

Drive comparable store sales. We aim to increase our comparable store sales by generating growth in the number and size of customer transactions at our existing stores. In order to increase the number of customer transactions at our stores, we plan to continue to offer a differentiated food shopping experience, which we believe leads to favorable word-of-mouth publicity, and provide distinctive, high-quality products to generate new and repeat visits to our stores.

Increase our highly-attractive operating margins. We intend to continue to increase our highly-attractive operating margins through scale efficiencies, improved systems, continued cost discipline and enhancements to our merchandise offerings. Our anticipated store growth will permit us to benefit from economies of scale in sourcing products and will allow us to leverage our existing infrastructure, corporate overhead and fixed costs to reduce labor and supply chain management costs as a percentage of sales.

Risks Affecting Our Business

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While we have set forth our competitive strengths and growth strategies above, food retail is a large and competitive industry and our business involves numerous risks and uncertainties. These risks include the possibility that our competitors may be more successful than us at attracting customers.

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Investing in our common stock involves substantial risk. The factors that could adversely affect our results and performance are discussed under the heading **Risk Factors** immediately following this summary. Before you invest in our common stock, you should carefully consider all of the information in this prospectus, including matters set forth under the heading **Risk Factors** .

Terms Used In This Prospectus

As used in this prospectus, the term **the Berry family** means (1) Ray Berry and the Estate of Beverly Berry; (2) various lineal descendants of Ray Berry and spouses and adopted children of such descendants; (3) various trusts for the benefit of individuals described in clauses (1) and (2) and their trustees; and (4) various entities owned or controlled, directly or indirectly, by the individuals and trusts described in clauses (1), (2) and (3).

Principal Executive Offices

The Fresh Market, Inc. is incorporated in Delaware. Our principal executive offices are located at 628 Green Valley Road, Suite 500, Greensboro, North Carolina 27408, and our telephone number at this address is (336) 272-1338. Our website is www.thefreshmarket.com. **Information on, or accessible through, our website is not a part of, and is not incorporated into, this prospectus.**

Industry and Market Data

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, including our general expectations and market opportunity, is based on information from independent industry organizations, such as The Nielsen Company (Nielsen), Nielsen TDLinx and 2010 Progressive Grocer Market Research, McKinsey & Company, the Food Marketing Institute, The Buxton Company and other third-party sources (including industry publications, surveys and forecasts), and management estimates. Management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from our internal research, and are based on assumptions made by us based on such data and our knowledge of such industry and markets, which we believe to be reasonable. We have not independently verified any third-party information. While we believe the market opportunity information included in this prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of the future performance of the industry in which we operate and our future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in **Risk Factors** . These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

We use *The Fresh Market* and *The Fresh Market* logo, among others, as our trademarks. This prospectus may refer to brand names, trademarks, service marks and trade names of other companies and organizations, and these brand names, trademarks, service marks and trade names are the property of their respective owners.

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The Offering

Selling stockholders	The Berry family.
Shares offered by the selling stockholders	shares. shares if the underwriters exercise their overallotment option in full.
Shares to be outstanding immediately after this offering	47,991,045 shares.
Voting rights	One vote per share.
Use of proceeds	The selling stockholders will receive all of the net proceeds from the sale of the shares offered hereby. We will not receive any proceeds from this offering.
Dividend policy	We have not paid any dividends since our initial public offering. We currently expect to retain future earnings, if any, for use in the operation and expansion of our business and do not anticipate paying any cash dividends for the foreseeable future. The declaration and payment of future dividends to holders of our common stock will be at the discretion of our board of directors and will depend upon many factors, including our financial condition, earnings, legal requirements, restrictions in our debt agreements and other factors our board of directors deems relevant.
Risk factors	You should carefully read and consider the information set forth under Risk Factors , together with all of the other information set forth in this prospectus, before deciding to invest in shares of our common stock.
The NASDAQ Global Select Market listing	Our common stock is listed on The NASDAQ Global Select Market under the symbol TFM .

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The following tables set forth our summary financial information and other data, as well as certain pro forma information and adjusted financial results that reflect the impact of certain charges related to our initial public offering and the income tax effect of our conversion from an S-corporation to a C-corporation. In addition, the following tables present certain summary financial information and other data with respect to the 30-day transition period ended January 30, 2011, which resulted from the recent change to the end of our fiscal year from December 31 of each year to the last Sunday in January of each year.

The historical balance sheet data as of December 31, 2009 and 2010, and as of January 30, 2011, and the historical statement of income data for the years ended December 31, 2008, 2009 and 2010, and for the 30-day period ended January 30, 2011, have been derived from our audited financial statements, which are included elsewhere in this prospectus. Our financial statements as of and for the years ended December 31, 2009 and 2010, and as of and for the 30-day period ended January 30, 2011, were audited by Ernst & Young LLP, independent registered public accounting firm, and our financial statements as of and for the year ended December 31, 2008, were audited by Grant Thornton LLP, independent registered public accounting firm. Our historical results are not necessarily indicative of results to be expected for any future period.

The information presented below should be read in conjunction with Capitalization, Selected Historical Financial and Other Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our audited financial statements and related notes, which are included elsewhere in this prospectus.

	December 31, 2008	Year Ended December 31, 2009	December 31, 2010	One Month Ended January 30, 2011
Statement of Income Data:				
Sales	\$ 797,805	\$ 861,931	\$ 974,213	\$ 78,149
Cost of goods sold	554,969	585,360	654,986	53,302
Gross profit	242,836	276,571	319,227	24,847
Selling, general and administrative expenses	180,765	191,250	244,378	17,623
Store closure and exit costs	562	4,361	792	37
Depreciation	24,482	27,880	33,122	2,729
Income from operations	37,027	53,080	40,935	4,458
Interest expense	5,267	3,806	2,374	87
Other income, net	(123)	(236)	(170)	(1)
Income before provision for income taxes	31,883	49,510	38,731	4,372
Recognition of net deferred tax liabilities upon C-corporation conversion			19,125	
Tax provision (benefit), current year	326	308	(3,309)	1,712
Net income	\$ 31,557	\$ 49,202	\$ 22,915	\$ 2,660
Net income per share				
Basic and diluted	\$ 0.66	\$ 1.03	\$ 0.48	\$ 0.06
Dividends declared per common share (1)	\$ 0.54	\$ 0.42	\$ 1.00	\$
Shares used in computation of net income per share,				
Basic	47,991,045	47,991,045	47,991,045	47,991,045
Diluted	47,991,045	47,991,045	48,059,882	48,095,459

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	December 31, 2008	Year Ended December 31, 2009	December 31, 2010	One Month Ended January 30, 2011
Pro Forma Data (unaudited):				
Income before provision for income taxes	\$ 31,883	\$ 49,510	\$ 38,731	
Pro forma provision for income taxes (2)	12,489	19,299	15,113	
Pro forma net income (2)	\$ 19,394	\$ 30,211	\$ 23,618	
Pro forma net income per share (2)				
Basic and diluted	\$ 0.40	\$ 0.63	\$ 0.49	
Pro forma weighted average common shares outstanding (Unaudited):				
Basic	47,991,045	47,991,045	47,991,045	