

COCA COLA BOTTLING CO CONSOLIDATED /DE/

Form 10-Q

November 07, 2014

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 28, 2014

Commission File Number 0-9286

COCA-COLA BOTTLING CO. CONSOLIDATED

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

56-0950585
(I.R.S. Employer

incorporation or organization)

Identification No.)

4100 Coca-Cola Plaza, Charlotte, North Carolina 28211

(Address of principal executive offices) (Zip Code)

(704) 557-4400

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer Accelerated filer x
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 31, 2014
Common Stock, \$1.00 Par Value	7,141,447
Class B Common Stock, \$1.00 Par Value	2,129,862

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COCA-COLA BOTTLING CO. CONSOLIDATED

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 28, 2014

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Coca-Cola Bottling Co. Consolidated

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

In Thousands (Except Per Share Data)

	Third Quarter		First Nine Months	
	2014	2013	2014	2013
Net sales	\$ 457,676	\$ 434,464	\$ 1,305,731	\$ 1,246,994
Cost of sales	272,734	258,352	778,936	746,868
Gross margin	184,942	176,112	526,795	500,126
Selling, delivery and administrative expenses	156,496	145,912	454,969	427,539
Income from operations	28,446	30,200	71,826	72,587
Interest expense, net	7,333	7,361	21,899	22,149
Income before income taxes	21,113	22,839	49,927	50,438
Income tax expense	7,408	4,756	17,789	14,550
Net income	13,705	18,083	32,138	35,888
Less: Net income attributable to noncontrolling interest	1,573	1,914	3,774	3,628
Net income attributable to Coca-Cola Bottling Co. Consolidated	\$ 12,132	\$ 16,169	\$ 28,364	\$ 32,260

Basic net income per share based on net income attributable to Coca-Cola Bottling Co. Consolidated:

Common Stock	\$ 1.31	\$ 1.75	\$ 3.06	\$ 3.49
Weighted average number of Common Stock shares outstanding	7,141	7,141	7,141	7,141
Class B Common Stock	\$ 1.31	\$ 1.75	\$ 3.06	\$ 3.49
Weighted average number of Class B Common Stock shares outstanding	2,130	2,109	2,125	2,104

Diluted net income per share based on net income attributable to Coca-Cola Bottling Co. Consolidated:

Common Stock	\$ 1.30	\$ 1.74	\$ 3.05	\$ 3.47
Weighted average number of Common Stock shares outstanding assuming dilution	9,311	9,290	9,306	9,285
Class B Common Stock	\$ 1.30	\$ 1.74	\$ 3.04	\$ 3.46
Weighted average number of Class B Common Stock shares outstanding assuming dilution	2,170	2,149	2,165	2,144

Cash dividends per share:

Common Stock	\$.25	\$.25	\$.75	\$.75
Class B Common Stock	\$.25	\$.25	\$.75	\$.75

See Accompanying Notes to Consolidated Financial Statements.

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Coca-Cola Bottling Co. Consolidated

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

In Thousands

	Third Quarter		First Nine Months	
	2014	2013	2014	2013
Net income	\$ 13,705	\$ 18,083	\$ 32,138	\$ 35,888
Other comprehensive income, net of tax:				
Foreign currency translation adjustment	(4)	(1)	(4)	0
Defined benefit plans reclassification included in pension costs:				
Actuarial loss	277	514	795	1,533
Prior service costs	5	2	16	7
Postretirement benefits reclassification included in benefits costs:				
Actuarial loss	344	430	1,035	1,281
Prior service costs	(231)	(231)	(696)	(691)
Other comprehensive income, net of tax	391	714	1,146	2,130
Comprehensive income	14,096	18,797	33,284	38,018
Less: Comprehensive income attributable to noncontrolling interest	1,573	1,914	3,774	3,628
Comprehensive income attributable to Coca-Cola Bottling Co. Consolidated	\$ 12,523	\$ 16,883	\$ 29,510	\$ 34,390

See Accompanying Notes to Consolidated Financial Statements.

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Coca-Cola Bottling Co. Consolidated

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

In Thousands (Except Share Data)

	Sept. 28, 2014	Dec. 29, 2013	Sept. 29, 2013
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 23,067	\$ 11,761	\$ 25,283
Accounts receivable, trade, less allowance for doubtful accounts of \$1,490, \$1,401 and \$1,553, respectively	121,466	105,610	114,068
Accounts receivable from The Coca-Cola Company	33,074	17,849	24,549
Accounts receivable, other	15,660	15,136	14,526
Inventories	80,123	61,987	70,255
Prepaid expenses and other current assets	30,460	26,872	32,209
Total current assets	303,850	239,215	280,890
Property, plant and equipment, net	327,238	302,998	295,147
Leased property under capital leases, net	44,470	48,981	50,212
Other assets	60,497	58,560	62,621
Franchise rights	520,672	520,672	520,672
Goodwill	103,294	102,049	102,049
Other identifiable intangible assets, net	17,104	3,681	3,764
Total assets	\$ 1,377,125	\$ 1,276,156	\$ 1,315,355

See Accompanying Notes to Consolidated Financial Statements.

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Coca-Cola Bottling Co. Consolidated

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

In Thousands (Except Share Data)

	Sept. 28, 2014	Dec. 29, 2013	Sept. 29, 2013
LIABILITIES AND EQUITY			
Current Liabilities:			
Current portion of debt	\$ 0	\$ 20,000	\$ 20,000
Current portion of obligations under capital leases	6,325	5,939	5,732
Accounts payable, trade	49,477	43,579	46,279
Accounts payable to The Coca-Cola Company	47,093	25,869	43,363
Other accrued liabilities	73,856	77,622	73,858
Accrued compensation	31,953	31,753	26,733
Accrued interest payable	9,107	4,054	9,380
Total current liabilities	217,811	208,816	225,345
Deferred income taxes	150,543	153,408	142,795
Pension and postretirement benefit obligations	80,993	90,599	138,288
Other liabilities	141,625	125,791	123,208
Obligations under capital leases	54,243	59,050	60,378
Long-term debt	443,709	378,566	393,520
Total liabilities	1,088,924	1,016,230	1,083,534
Commitments and Contingencies (Note 15)			
Equity:			
Common Stock, \$1.00 par value:			
Authorized 30,000,000 shares;			
Issued 10,203,821 shares	10,204	10,204	10,204
Class B Common Stock, \$1.00 par value:			
Authorized 10,000,000 shares;			
Issued 2,757,976, 2,737,076 and 2,737,076 shares, respectively	2,756	2,735	2,735
Capital in excess of par value	110,860	108,942	108,959
Retained earnings	210,285	188,869	195,766
Accumulated other comprehensive loss	(57,030)	(58,176)	(92,396)
	277,075	252,574	225,268
Less-Treasury stock, at cost:			
Common 3,062,374 shares	60,845	60,845	60,845
Class B Common 628,114 shares	409	409	409
Total equity of Coca-Cola Bottling Co. Consolidated	215,821	191,320	164,014
Noncontrolling interest	72,380	68,606	67,807
Total equity	288,201	259,926	231,821
Total liabilities and equity	\$ 1,377,125	\$ 1,276,156	\$ 1,315,355

See Accompanying Notes to Consolidated Financial Statements.

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Coca-Cola Bottling Co. Consolidated

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

In Thousands (Except Share Data)

	Common Stock	Class B Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Equity of CCBCC	Noncontrolling Interest	Total Equity
Balance on Dec. 30, 2012	\$ 10,204	\$ 2,715	\$ 107,681	\$ 170,439	\$ (94,526)	\$ (61,254)	\$ 135,259	\$ 64,179	\$ 199,438
Net income				32,260			32,260	3,628	35,888
Other comprehensive income, net of tax					2,130		2,130		2,130
Cash dividends paid Common (\$.75 per share)				(5,356)			(5,356)		(5,356)
Class B Common (\$.75 per share)				(1,577)			(1,577)		(1,577)
Issuance of 20,120 shares of Class B Common Stock		20	1,278				1,298		1,298
Balance on Sept. 29, 2013	\$ 10,204	\$ 2,735	\$ 108,959	\$ 195,766	\$ (92,396)	\$ (61,254)	\$ 164,014	\$ 67,807	\$ 231,821
Balance on Dec. 29, 2013	\$ 10,204	\$ 2,735	\$ 108,942	\$ 188,869	\$ (58,176)	\$ (61,254)	\$ 191,320	\$ 68,606	\$ 259,926
Net income				28,364			28,364	3,774	32,138
Other comprehensive income, net of tax					1,146		1,146		1,146
Cash dividends paid Common (\$.75 per share)				(5,356)			(5,356)		(5,356)
Class B Common (\$.75 per share)				(1,592)			(1,592)		(1,592)
Issuance of 20,900 shares of Class B Common Stock		21	1,742				1,763		1,763
Stock compensation adjustment			176				176		176
Balance on Sept. 28, 2014	\$ 10,204	\$ 2,756	\$ 110,860	\$ 210,285	\$ (57,030)	\$ (61,254)	\$ 215,821	\$ 72,380	\$ 288,201

See Accompanying Notes to Consolidated Financial Statements.

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Coca-Cola Bottling Co. Consolidated

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

In Thousands

	First Nine Months	
	2014	2013
Cash Flows from Operating Activities		
Net income	\$ 32,138	\$ 35,888
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	44,358	43,655
Amortization of intangibles	377	250
Deferred income taxes	655	(1,376)
(Gain)/loss on sale of property, plant and equipment	231	(264)
Amortization of debt costs	1,438	1,453
Amortization of deferred gain related to terminated interest rate agreements	(420)	(411)
Stock compensation expense	2,272	1,901
Increase in current assets less current liabilities (exclusive of acquisition)	(20,370)	(4,366)
Increase in other noncurrent assets (exclusive of acquisition)	(3,362)	(6,656)
Increase (decrease) in other noncurrent liabilities (exclusive of acquisition)	(7,343)	4,887
Other	(6)	12
Total adjustments	17,830	39,085
Net cash provided by operating activities	49,968	74,973
Cash Flows from Investing Activities		
Additions to property, plant and equipment	(61,357)	(45,197)
Proceeds from the sale of property, plant and equipment	1,212	6,056
Acquisition of new territories, net of cash acquired	(12,163)	0
Net cash used in investing activities	(72,308)	(39,141)
Cash Flows from Financing Activities		
Borrowings under revolving credit facility	85,000	55,000
Payment on revolving credit facility	(40,000)	(65,000)
Cash dividends paid	(6,948)	(6,933)
Excess tax expense from stock-based compensation	176	0
Principal payments on capital lease obligations	(4,420)	(3,926)
Other	(162)	(89)
Net cash provided by (used in) financing activities	33,646	(20,948)
Net increase in cash	11,306	14,884
Cash at beginning of period	11,761	10,399
Cash at end of period	\$ 23,067	\$ 25,283
Significant non-cash investing and financing activities:		
Issuance of Class B Common Stock in connection with stock award	\$ 1,763	\$ 1,298

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Capital lease obligations incurred	0	455
Additions to property, plant and equipment accrued and recorded in accounts payable, trade	2,854	1,976
See Accompanying Notes to Consolidated Financial Statements.		

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Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

1. Significant Accounting Policies

The consolidated financial statements include the accounts of Coca-Cola Bottling Co. Consolidated and its majority-owned subsidiaries (the Company). All intercompany accounts and transactions have been eliminated.

The consolidated financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results for the interim periods presented. All such adjustments are of a normal, recurring nature.

The consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (GAAP) for interim financial reporting and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by GAAP. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accounting policies followed in the presentation of interim financial results are consistent with those followed on an annual basis. These policies are presented in Note 1 to the consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 29, 2013 filed with the United States Securities and Exchange Commission.

2. Seasonality of Business

Historically, operating results for the third quarter and the first nine months of the fiscal year have not been representative of results for the entire fiscal year. Business seasonality results primarily from higher unit sales of the Company s products in the second and third quarters versus the first and fourth quarters of the fiscal year. Fixed costs, such as depreciation expense, are not significantly impacted by business seasonality.

3. Piedmont Coca-Cola Bottling Partnership

On July 2, 1993, the Company and The Coca-Cola Company formed Piedmont Coca-Cola Bottling Partnership (Piedmont) to distribute and market nonalcoholic beverages primarily in portions of North Carolina and South Carolina. The Company provides a portion of the nonalcoholic beverage products to Piedmont at cost and receives a fee for managing the operations of Piedmont pursuant to a management agreement. These intercompany transactions are eliminated in the consolidated financial statements.

Noncontrolling interest as of September 28, 2014, December 29, 2013 and September 29, 2013 represents the portion of Piedmont owned by The Coca-Cola Company. The Coca-Cola Company s interest in Piedmont was 22.7% for all periods presented.

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Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

4. Acquisitions

In April 2013, the Company announced that it had signed a non-binding letter of intent with The Coca-Cola Company to expand the Company's franchise territory to include distribution rights in parts of Tennessee and Kentucky served by Coca-Cola Refreshments USA, Inc. (CCR), a wholly owned subsidiary of The Coca-Cola Company. On May 7, 2014, the Company and CCR entered into an asset purchase agreement (the Asset Purchase Agreement) relating to the territory served by CCR through CCR's facilities and equipment located in Johnson City and Morristown, Tennessee (the Territory). The closing of this transaction occurred on May 23, 2014 for a cash purchase price of \$12.2 million, which will remain subject to adjustment until July 2, 2015, as specified in the Asset Purchase Agreement. The financial results of the Territory have been included in the Company's consolidated financial statements from the acquisition date and did not significantly impact the Company's consolidated financial results for the three and nine month periods ended September 28, 2014.

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