

COCA COLA BOTTLING CO CONSOLIDATED /DE/
Form 10-Q
August 08, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended July 2, 2017

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
incorporation or organization)

56-0950585
(I.R.S. Employer
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)

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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, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the 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 whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

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 July 30, 2017
Common Stock, \$1.00 Par Value	7,141,447
Class B Common Stock, \$1.00 Par Value	2,192,722

COCA COLA BOTTLING CO. CONSOLIDATED

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JULY 2, 2017

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

COCA COLA BOTTLING CO. CONSOLIDATED

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share data)	Second Quarter		First Half	
	2017	2016	2017	2016
Net sales	\$1,169,291	\$840,384	\$2,034,993	\$1,465,840
Cost of sales	754,113	520,677	1,287,794	902,235
Gross profit	415,178	319,707	747,199	563,605
Selling, delivery and administrative expenses	367,865	264,971	686,278	496,468
Income from operations	47,313	54,736	60,921	67,137
Interest expense, net	10,440	9,808	19,910	19,169
Other expense, net	25,549	16,274	37,795	33,425
Loss on exchange of franchise territory	-	692	-	692
Income before income taxes	11,324	27,962	3,216	13,851
Income tax expense	3,743	10,638	52	5,560
Net income	7,581	17,324	3,164	8,291
Less: Net income attributable to noncontrolling interest	1,233	1,672	1,867	2,680
Net income attributable to Coca-Cola Bottling Co. Consolidated	\$6,348	\$15,652	\$1,297	\$5,611
Basic net income per share based on net income attributable to Coca-Cola Bottling Co. Consolidated:				
Common Stock	\$0.68	\$1.68	\$0.14	\$0.60
Weighted average number of Common Stock shares outstanding	7,141	7,141	7,141	7,141
Class B Common Stock	\$0.68	\$1.68	\$0.14	\$0.60
Weighted average number of Class B Common Stock shares outstanding	2,193	2,172	2,185	2,164
Diluted net income per share based on net income attributable to Coca-Cola Bottling Co. Consolidated:				
Common Stock	\$0.68	\$1.67	\$0.14	\$0.59
Weighted average number of Common Stock shares outstanding – assuming dilution	9,374	9,353	9,366	9,345
Class B Common Stock	\$0.67	\$1.67	\$0.13	\$0.59
Weighted average number of Class B Common Stock shares outstanding – assuming dilution	2,233	2,212	2,225	2,204
Cash dividends per share:				
Common Stock	\$0.25	\$0.25	\$0.50	\$0.50
Class B Common Stock	\$0.25	\$0.25	\$0.50	\$0.50

See Accompanying Notes to Consolidated Condensed Financial Statements.

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COCA COLA BOTTLING CO. CONSOLIDATED

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(in thousands)	Second Quarter		First Half	
	2017	2016	2017	2016
Net income	\$7,581	\$17,324	\$3,164	\$8,291
Other comprehensive income, net of tax:				
Defined benefit plans reclassification including pension costs:				
Actuarial gains	495	455	991	910
Prior service benefits	5	5	9	9
Postretirement benefits reclassification included in benefits costs:				
Actuarial gains	398	361	796	721
Prior service costs	(458)	(516)	(916)	(1,032)
Foreign currency translation adjustment	14	(6)	16	4
Other comprehensive income, net of tax	454	299	896	612
Comprehensive income	8,035	17,623	4,060	8,903
Less: Comprehensive income attributable to noncontrolling interest	1,233	1,672	1,867	2,680
Comprehensive income attributable to Coca-Cola Bottling Co. Consolidated	\$6,802	\$15,951	\$2,193	\$6,223

See Accompanying Notes to Consolidated Condensed Financial Statements.

COCA COLA BOTTLING CO. CONSOLIDATED

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(in thousands, except share data)	July 2, 2017	January 1, 2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$43,514	\$21,850
Accounts receivable, trade	389,124	271,661
Allowance for doubtful accounts	(5,690)	(4,448)
Accounts receivable from The Coca-Cola Company	87,290	67,591
Accounts receivable, other	29,825	29,770
Inventories	200,441	143,553
Prepaid expenses and other current assets	66,871	63,834
Total current assets	811,375	593,811
Property, plant and equipment, net	977,553	812,989
Leased property under capital leases, net	30,689	33,552
Other assets	99,587	86,091
Franchise rights	-	533,040
Goodwill	160,427	144,586
Distribution agreements, net	798,204	234,988
Customer lists and other identifiable intangible assets, net	13,606	10,427
Total assets	\$2,891,441	\$2,449,484
LIABILITIES AND EQUITY		
Current Liabilities:		
Current portion of obligations under capital leases	\$7,875	\$7,527
Accounts payable, trade	164,622	116,821
Accounts payable to The Coca-Cola Company	187,476	135,155
Other accrued liabilities	183,683	133,885
Accrued compensation	53,518	60,880
Accrued interest payable	4,914	3,639
Total current liabilities	602,088	457,907
Deferred income taxes	146,649	174,854
Pension and postretirement benefit obligations	126,314	126,679
Other liabilities	532,570	378,572
Obligations under capital leases	37,151	41,194
Long-term debt	1,080,578	907,254
Total liabilities	2,525,350	2,086,460
Commitments and Contingencies (Note 13)		
Equity:		
Common Stock, \$1.00 par value: authorized – 30,000,000 shares; issued – 10,203,821 shares	10,204	10,204
Class B Common Stock, \$1.00 par value: authorized – 10,000,000 shares; issued – 2,820,836 and 2,799,816 shares, respectively	2,819	2,798

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Capital in excess of par value	120,417	116,769
Retained earnings	298,146	301,511
Accumulated other comprehensive loss	(92,001)	(92,897)
Treasury stock, at cost: Common Stock – 3,062,374 shares	(60,845)	(60,845)
Treasury stock, at cost: Class B Common Stock – 628,114 shares	(409)	(409)
Total equity of Coca-Cola Bottling Co. Consolidated	278,331	277,131
Noncontrolling interest	87,760	85,893
Total equity	366,091	363,024
Total liabilities and equity	\$2,891,441	\$2,449,484

See Accompanying Notes to Consolidated Condensed Financial Statements.

COCA COLA BOTTLING CO. CONSOLIDATED

CONSOLIDATED CONDENSED 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 - Common Stock	Treasury Stock	Total Equity of Coca-Cola Bottling Co. Consolidated	Non-controlling Interest	Total Equity
							Class B Common Stock			
Balance on January 1, 2017	\$10,204	\$2,798	\$116,769	\$301,511	\$(92,897)	\$(60,845)	\$(409)	\$277,131	\$85,893	\$363,024
Net income	-	-	-	1,297	-	-	-	1,297	1,867	3,164
Other comprehensive income, net of tax	-	-	-	-	896	-	-	896	-	896
Cash dividends paid:										
Common (\$0.50 per share)	-	-	-	(3,571)	-	-	-	(3,571)	-	(3,571)
Class B Common (\$0.50 per share)	-	-	-	(1,091)	-	-	-	(1,091)	-	(1,091)
Issuance of 21,020 shares of Class B Common Stock	-	21	3,648	-	-	-	-	3,669	-	3,669
Balance on July 2, 2017	\$10,204	\$2,819	\$120,417	\$298,146	\$(92,001)	\$(60,845)	\$(409)	\$278,331	\$87,760	\$366,091
Balance on January 3, 2016	\$10,204	\$2,777	\$113,064	\$260,672	\$(82,407)	\$(60,845)	\$(409)	\$243,056	\$79,376	\$322,432
Net income	-	-	-	5,611	-	-	-	5,611	2,680	8,291
Other comprehensive income, net of tax	-	-	-	-	612	-	-	612	-	612

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Cash dividends paid:										
Common (\$0.50 per share)	-	-	-	(3,571)	-	-	-	(3,571)	-	(3,571)
Class B Common (\$0.50 per share)	-	-	-	(1,081)	-	-	-	(1,081)	-	(1,081)
Issuance of 20,920 shares of Class B Common Stock	-	21	3,705	-	-	-	-	3,726	-	3,726
Balance on July 3, 2016	\$10,204	\$2,798	\$116,769	\$261,631	\$(81,795)	\$(60,845)	\$(409)	\$248,353	\$82,056	\$330,409

See Accompanying Notes to Consolidated Condensed Financial Statements.

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COCA COLA BOTTLING CO. CONSOLIDATED

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)	First Half 2017	2016
Cash Flows from Operating Activities:		
Net income	\$3,164	\$8,291
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	70,330	49,902
Amortization of intangible assets and deferred proceeds	6,717	2,427
Deferred income taxes	(24,918)	(1,476)
Loss on sale of property, plant and equipment	1,975	1,356
Impairment of property, plant and equipment	-	382
Loss on exchange of franchise territory	-	692
Proceeds from conversion of Legacy Territories bottling agreements	87,066	-
Amortization of debt costs	537	1,166
Stock compensation expense	4,577	2,896
Fair value adjustment of acquisition related contingent consideration	28,365	33,425
Change in current assets less current liabilities (exclusive of acquisition)	10,470	(27,088)
Change in other noncurrent assets (exclusive of acquisition)	(9,984)	(9,014)
Change in other noncurrent liabilities (exclusive of acquisition)	628	(1,788)
Other	44	26
Total adjustments	175,807	52,906
Net cash provided by operating activities	178,971	61,197
Cash Flows from Investing Activities:		
Acquisition of Expansion Territories, net of cash acquired	(227,759)	(174,695)
Additions to property, plant and equipment (exclusive of acquisition)	(79,607)	(79,625)
Glacéau distribution agreement consideration	(15,598)	-
Proceeds from cold drink equipment	8,400	-
Investment in CONA Services LLC	(1,001)	(6,634)
Proceeds from the sale of property, plant and equipment	384	282
Net cash used in investing activities	(315,181)	(260,672)
Cash Flows from Financing Activities:		
Borrowings under Term Loan Facility	-	300,000
Borrowings under Revolving Credit Facility	238,000	310,000
Payment of Revolving Credit Facility	(190,000)	(235,000)
Proceeds from issuance of Senior Notes	125,000	-
Payment of Senior Notes	-	(164,757)
Cash dividends paid	(4,662)	(4,652)
Payment of acquisition related contingent consideration	(6,556)	(7,926)
Principal payments on capital lease obligations	(3,695)	(3,488)
Other	(213)	(877)

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Net cash provided by financing activities	157,874	193,300
Net increase (decrease) in cash	21,664	(6,175)
Cash at beginning of period	21,850	55,498
Cash at end of period	\$43,514	\$49,323
Significant noncash investing and financing activities:		
Issuance of Class B Common Stock in connection with stock award	\$3,669	\$3,726
Additions to property, plant and equipment accrued and recorded in accounts payable, trade	10,425	9,086

See Accompanying Notes to Consolidated Condensed Financial Statements.

COCA COLA BOTTLING CO. CONSOLIDATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)