

COCA COLA BOTTLING CO CONSOLIDATED /DE/
Form 10-Q
August 07, 2015

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 June 28, 2015

Commission File Number 0-9286

COCA-COLA BOTTLING CO. CONSOLIDATED

(Exact name of registrant as specified in its charter)

Delaware 56-0950585
(State or other jurisdiction of (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.

Large accelerated filer Accelerated filer
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

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 31, 2015
Common Stock, \$1.00 Par Value	7,141,447
Class B Common Stock, \$1.00 Par Value	2,150,782

COCA-COLA BOTTLING CO. CONSOLIDATED

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 28, 2015

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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)

	Second Quarter		First Half	
	2015	2014	2015	2014
Net sales	\$614,683	\$459,473	\$1,067,936	\$848,055
Cost of sales	377,366	273,953	646,246	506,202
Gross margin	237,317	185,520	421,690	341,853
Selling, delivery and administrative expenses	199,001	154,256	366,472	298,473
Income from operations	38,316	31,264	55,218	43,380
Interest expense, net	6,718	7,343	14,065	14,566
Other income (expense)	6,078	0	989	0
Gain on exchange of franchise territory	8,807	0	8,807	0
Income before income taxes	46,483	23,921	50,949	28,814
Income tax expense	17,562	8,589	19,075	10,381
Net income	28,921	15,332	31,874	18,433
Less: Net income attributable to noncontrolling interest	1,987	1,549	2,716	2,201
Net income attributable to Coca-Cola Bottling Co. Consolidated	\$26,934	\$13,783	\$29,158	\$16,232
Basic net income per share based on net income				
attributable to Coca-Cola Bottling Co. Consolidated:				
Common Stock	\$2.90	\$1.49	\$3.14	\$1.75
Weighted average number of Common Stock shares				
outstanding	7,141	7,141	7,141	7,141
Class B Common Stock				
Weighted average number of Class B Common Stock	\$2.90	\$1.49	\$3.14	\$1.75
shares outstanding	2,151	2,130	2,143	2,123
Diluted net income per share based on net income				
attributable to Coca-Cola Bottling Co. Consolidated:				
Common Stock	\$2.89	\$1.48	\$3.13	\$1.74
Weighted average number of Common Stock shares				
outstanding – assuming dilution	9,332	9,311	9,324	9,304

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Class B Common Stock	\$2.88	\$1.48	\$3.12	\$1.74
Weighted average number of Class B Common Stock				
shares outstanding – assuming dilution	2,191	2,170	2,183	2,163
Cash dividends per share:				
Common Stock	\$.25	\$.25	\$.50	\$.50
Class B Common Stock	\$.25	\$.25	\$.50	\$.50

See Accompanying Notes to Consolidated Financial Statements.

Coca-Cola Bottling Co. Consolidated

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

In Thousands

	Second Quarter		First Half	
	2015	2014	2015	2014
Net income	\$28,921	\$15,332	\$31,874	\$18,433
Other comprehensive income, net of tax:				
Foreign currency translation adjustment	0	0	(4)	0
Defined benefit plans reclassification included in pension costs:				
Actuarial loss	488	259	977	518
Prior service costs	6	6	11	11
Postretirement benefits reclassification included in benefits costs:				
Actuarial loss	441	345	881	691
Prior service costs	(516)	(233)	(1,032)	(465)
Other comprehensive income, net of tax	419	377	833	755
Comprehensive income	29,340	15,709	32,707	19,188
Less: Comprehensive income attributable to noncontrolling interest	1,987	1,549	2,716	2,201
Comprehensive income attributable to Coca-Cola Bottling Co.				
Consolidated	\$27,353	\$14,160	\$29,991	\$16,987

See Accompanying Notes to Consolidated Financial Statements.

Coca-Cola Bottling Co. Consolidated

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

In Thousands (Except Share Data)

	June 28, 2015	Dec. 28, 2014	June 29, 2014
ASSETS			
Current Assets:			
Cash and cash equivalents	\$43,801	\$9,095	\$22,874
Accounts receivable, trade, less allowance for doubtful accounts of \$1,517, \$1,330 and \$1,550, respectively	192,600	125,726	133,509
Accounts receivable from The Coca-Cola Company	41,324	22,741	30,755
Accounts receivable, other	19,467	14,531	13,873
Inventories	99,641	70,740	83,313
Prepaid expenses and other current assets	41,084	44,168	30,316
Total current assets	437,917	287,001	314,640
Property, plant and equipment, net	419,263	358,232	316,978
Leased property under capital leases, net	43,257	42,971	45,969
Other assets	64,605	60,832	60,344
Franchise rights	527,540	520,672	520,672
Goodwill	111,591	106,220	103,294
Other identifiable intangible assets, net	105,818	57,148	17,283
Total assets	\$1,709,991	\$1,433,076	\$1,379,180

See Accompanying Notes to Consolidated Financial Statements.

Coca-Cola Bottling Co. Consolidated

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

In Thousands (Except Share Data)

	June 28, 2015	Dec. 28, 2014	June 29, 2014
LIABILITIES AND EQUITY			
Current Liabilities:			
Current portion of debt	\$0	\$0	\$20,000
Current portion of obligations under capital leases	6,859	6,446	6,190
Accounts payable, trade	79,327	58,640	54,281
Accounts payable to The Coca-Cola Company	92,004	51,227	55,316
Other accrued liabilities	97,268	68,775	73,088
Accrued compensation	32,724	38,677	24,544
Accrued interest payable	2,269	3,655	3,942
Total current liabilities	310,451	227,420	237,361
Deferred income taxes	137,402	140,000	146,777
Pension and postretirement benefit obligations	133,548	134,100	89,160
Other liabilities	225,202	177,250	139,926
Obligations under capital leases	52,294	52,604	55,873
Long-term debt	563,860	444,759	433,661
Total liabilities	1,422,757	1,176,133	1,102,758
Commitments and Contingencies (Note 12)			
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 – 2,778,896, 2,757,976 and 2,757,976 shares, respectively	2,777	2,756	2,756
Capital in excess of par value	113,064	110,860	110,860
Retained earnings	235,474	210,957	200,470
Accumulated other comprehensive loss	(89,081)	(89,914)	(57,421)
	272,438	244,863	266,869
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	211,184	183,609	205,615
Noncontrolling interest	76,050	73,334	70,807
Total equity	287,234	256,943	276,422

Total liabilities and equity	\$1,709,991	\$1,433,076	\$1,379,180
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See Accompanying Notes to Consolidated Financial Statements.

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. 29, 2013	\$ 10,204	\$ 2,735	\$ 108,942	\$ 188,869	\$ (58,176)	\$ (61,254)	\$ 191,320	\$ 68,606	\$ 259,926
Net income				16,232			16,232	2,201	18,433
Other comprehensive income, net of tax					755		755		755
Cash dividends paid									
Common (\$.50 per share)				(3,571)			(3,571)		(3,571)
Class B Common (\$.50 per share)				(1,060)			(1,060)		(1,060)
Stock compensation adjustments			176				176		176
Issuance of 20,900 shares of Class B Common Stock		21	1,742				1,763		1,763
Balance on June 29, 2014	\$ 10,204	\$ 2,756	\$ 110,860	\$ 200,470	\$ (57,421)	\$ (61,254)	\$ 205,615	\$ 70,807	\$ 276,422
Balance on Dec. 28, 2014	\$ 10,204	\$ 2,756	\$ 110,860	\$ 210,957	\$ (89,914)	\$ (61,254)	\$ 183,609	\$ 73,334	\$ 256,943
Net income				29,158			29,158	2,716	31,874

Other
comprehensive
income,

net of tax					833		833		833
Cash dividends paid									
Common (\$0.50 per share)					(3,571)		(3,571)		(3,571)
Class B Common (\$0.50 per share)					(1,070)		(1,070)		(1,070)
Issuance of 20,920 shares of Class B Common Stock	21	2,204					2,225		2,225
Balance on June 28, 2015	\$10,204	\$2,777	\$113,064	\$235,474	\$(89,081)	\$(61,254)	\$211,184	\$76,050	\$287,234

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 Half	
	2015	2014
Cash Flows from Operating Activities		
Net income	\$31,874	\$18,433
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation expense	35,994	29,245
Amortization of intangibles	1,380	198
Deferred income taxes	(1,454)	505
(Gain)/loss on sale of property, plant and equipment	449	(38)
Impairment of property, plant and equipment	148	0
Gain on exchange of franchise territory	(8,807)	0
Amortization of debt costs	996	958
Amortization of deferred gain related to terminated interest rate agreements	(133)	(279)
Stock compensation expense	2,980	1,491
Fair value adjustment of acquisition-related contingent consideration	(989)	0
Increase in current assets less current liabilities (exclusive of acquisition)	(29,538)	(30,876)
Increase in other noncurrent assets (exclusive of acquisition)	(4,106)	(2,744)
Increase (decrease) in other noncurrent liabilities (exclusive of acquisition)	4,183	(5,135)
Other	(9)	(1)
Total adjustments	1,094	(6,676)
Net cash provided by operating activities	32,968	11,757
Cash Flows from Investing Activities		
Additions to property, plant and equipment (exclusive of acquisition)	(57,140)	(37,034)
Proceeds from the sale of property, plant and equipment	144	1,061
Acquisition of new territories, net of cash acquired	(51,276)	(12,163)
Net cash used in investing activities	(108,272)	(48,136)
Cash Flows from Financing Activities		
Borrowings under revolving credit facility	239,000	75,000