

COCA COLA BOTTLING CO CONSOLIDATED /DE/
Form 10-Q
November 10, 2016

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 October 2, 2016

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, 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 November 4, 2016
Common Stock, \$1.00 Par Value	7,141,447
Class B Common Stock, \$1.00 Par Value	2,171,702

COCA COLA BOTTLING CO. CONSOLIDATED

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED OCTOBER 2, 2016

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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 Three Quarters	
	2016	2015	2016	2015
Net sales	\$849,028	\$618,806	\$2,314,868	\$1,686,742
Cost of sales	521,838	380,270	1,424,073	1,026,516
Gross profit	327,190	238,536	890,795	660,226
Selling, delivery and administrative expenses	287,389	210,851	783,857	577,323
Income from operations	39,801	27,685	106,938	82,903
Interest expense, net	8,452	6,686	27,621	20,751
Other income (expense), net	7,325	(3,992)	(26,100)	(3,003)
Gain (loss) on exchange of franchise territory	-	-	(692)	8,807
Gain on sale of business	-	22,651	-	22,651
Income before income taxes	38,674	39,658	52,525	90,607
Income tax expense	13,121	12,099	18,681	31,174
Net income	25,553	27,559	33,844	59,433
Less: Net income attributable to noncontrolling interest	2,411	2,006	5,091	4,722
Net income attributable to Coca-Cola Bottling Co. Consolidated	\$23,142	\$25,553	\$28,753	\$54,711
Basic net income per share based on net income attributable to Coca-Cola Bottling Co. Consolidated:				
Common Stock	\$2.48	\$2.75	\$3.09	\$5.89
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 shares outstanding	2,172	2,151	2,167	2,146
Diluted net income per share based on net income attributable to Coca-Cola Bottling Co. Consolidated:				
Common Stock	\$2.47	\$2.74	\$3.08	\$5.87
Weighted average number of Common Stock shares outstanding – assuming dilution	9,353	9,332	9,348	9,327
Class B Common Stock				
Weighted average number of Class B Common Stock shares outstanding – assuming dilution	2,212	2,191	2,207	2,186
Cash dividends per share:				

Common Stock	\$0.25	\$0.25	\$0.75	\$0.75
Class B Common Stock	\$0.25	\$0.25	\$0.75	\$0.75

See Accompanying Notes to Consolidated Financial Statements.

COCA COLA BOTTLING CO. CONSOLIDATED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(in thousands)	Third Quarter		First Three Quarters	
	2016	2015	2016	2015
Net income	\$25,553	\$27,559	\$33,844	\$59,433
Other comprehensive income, net of tax:				
Defined benefit plans reclassification including pension costs:				
Actuarial gains	455	490	1,365	1,467
Prior service benefits	4	7	13	18
Postretirement benefits reclassification included in benefits costs:				
Actuarial gains	361	442	1,082	1,323
Prior service costs	(516)	(518)	(1,548)	(1,550)
Foreign currency translation adjustment	3	1	7	(3)
Other comprehensive income, net of tax	307	422	919	1,255
Comprehensive income	25,860	27,981	34,763	60,688
Less: Comprehensive income attributable to noncontrolling interest	2,411	2,006	5,091	4,722
Comprehensive income attributable to Coca-Cola Bottling Co. Consolidated	\$23,449	\$25,975	\$29,672	\$55,966

See Accompanying Notes to Consolidated Financial Statements.

COCA COLA BOTTLING CO. CONSOLIDATED

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	October 2,	January 3,	September
(in thousands, except share data)	2016	2016	2015
ASSETS			
Current Assets:			
Cash and cash equivalents	\$54,217	\$55,498	\$40,491
Accounts receivable, trade	268,110	186,126	177,707
Allowance for doubtful accounts	(3,373)	(2,117)	(1,777)
Accounts receivable from The Coca-Cola Company	52,047	28,564	42,349
Accounts receivable, other	32,494	24,047	22,520
Inventories (Note 3)	126,039	89,464	94,148
Prepaid expenses and other current assets	51,132	53,337	38,935
Total current assets	580,666	434,919	414,373
Property, plant and equipment, net (Note 4)	722,024	525,820	446,783
Leased property under capital leases, net	35,002	40,145	41,682
Other assets	82,615	63,739	63,158
Franchise rights (Note 5)	533,040	527,540	527,540
Goodwill (Note 5)	141,271	117,954	113,835
Other identifiable intangible assets, net (Note 6)	159,407	136,448	102,088
Total assets	\$2,254,025	\$1,846,565	\$1,709,459
LIABILITIES AND EQUITY			
Current Liabilities:			
Current portion of debt (Note 8)	\$-	\$-	\$164,757
Current portion of obligations under capital leases	7,378	7,063	6,945
Accounts payable, trade	117,247	82,937	78,872
Accounts payable to The Coca-Cola Company	125,918	79,065	85,890
Other accrued liabilities (Note 7)	132,429	104,168	93,098
Accrued compensation	43,125	49,839	40,562
Accrued interest payable	8,745	3,481	6,177
Total current liabilities	434,842	326,553	476,301
Deferred income taxes	150,913	146,944	138,288
Pension and postretirement benefit obligations	106,874	115,197	122,778
Other liabilities (Note 11)	344,265	267,090	225,928
Obligations under capital leases	43,127	48,721	50,505
Long-term debt (Note 8)	820,063	619,628	382,767
Total liabilities	1,900,084	1,524,133	1,396,567
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
	2,798	2,777	2,777

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Class B Common Stock, \$1.00 par value: authorized – 10,000,000 shares;
issued – 2,799,816, 2,778,896 and 2,778,896 shares, respectively

Capital in excess of par value	116,769	113,064	113,064
Retained earnings	282,445	260,672	258,704
Accumulated other comprehensive loss (Note 14)	(81,488)	(82,407)	(88,659)
Treasury stock, at cost: Common Stock – 3,062,374 shares	(60,845)	(60,845)	(60,845)
Treasury stock, at cost: Class B Common Stock – 628,114 shares	(409)	(409)	(409)
Total equity of Coca-Cola Bottling Co. Consolidated	269,474	243,056	234,836
Noncontrolling interest	84,467	79,376	78,056
Total equity	353,941	322,432	312,892
Total liabilities and equity	\$2,254,025	\$1,846,565	\$1,709,459

See Accompanying Notes to Consolidated Financial Statements.

COCA COLA BOTTLING CO. CONSOLIDATED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

	Common Class B Stock	Common Class B Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock - Common Stock	Treasury Stock Class B Stock	Total Equity of Coca-Cola Bottling Co. Consolidated	Non- controlling Interest	Total Equity
Balance on December 28, 2014	\$10,204	\$2,756	\$110,860	\$210,957	\$(89,914)	\$(60,845)	\$(409)	\$183,609	\$73,334	\$256,943
Net income	-	-	-	54,711	-	-	-	54,711	4,722	59,433
Other comprehensive income, net of tax	-	-	-	-	1,255	-	-	1,255	-	1,255
Cash dividends paid:										
Common (\$0.75 per share)	-	-	-	(5,356)	-	-	-	(5,356)	-	(5,356)
Class B Common (\$0.75 per share)	-	-	-	(1,608)	-	-	-	(1,608)	-	(1,608)
Issuance of 20,920 shares of Class B Common Stock	-	21	2,204	-	-	-	-	2,225	-	2,225
Balance on September 27, 2015	\$10,204	\$2,777	\$113,064	\$258,704	\$(88,659)	\$(60,845)	\$(409)	\$234,836	\$78,056	\$312,892
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	-	-	-	28,753	-	-	-	28,753	5,091	33,844
Other comprehensive income, net of	-	-	-	-	919	-	-	919	-	919

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tax										
Cash dividends paid:										
Common (\$0.75 per share)	-	-	-	(5,356)	-	-	-	(5,356)	-	(5,356)
Class B Common (\$0.75 per share)	-	-	-	(1,624)	-	-	-	(1,624)	-	(1,624)
Issuance of 20,920 shares of Class B Common Stock	-	21	3,705	-	-	-	-	3,726	-	3,726
Balance on October 2, 2016	\$10,204	\$2,798	\$116,769	\$282,445	\$(81,488)	\$(60,845)	\$(409)	\$269,474	\$84,467	\$353,941

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 Three Quarters	
	2016	2015
Cash Flows from Operating Activities:		
Net income	\$33,844	\$59,433
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	79,899	56,299
Amortization of intangibles	3,487	2,110
Deferred income taxes	5,509	(3,489)
Loss on sale of property, plant and equipment	1,880	679
Impairment of property, plant and equipment	382	148
(Gain) loss on exchange of franchise territory	692	(8,807)
Gain on sale of business	-	(22,651)
Amortization of debt costs	1,510	1,491
Stock compensation expense	4,445	5,674
Fair value adjustment of acquisition related contingent consideration	26,060	3,003
Change in current assets less current liabilities (exclusive of acquisition)	(13,623)	(16,381)
Change in other noncurrent assets (exclusive of acquisition)	(12,613)	(3,447)
Change in other noncurrent liabilities (exclusive of acquisition)	(3,384)	(1,444)
Other	37	(135)
Total adjustments	94,281	13,050
Net cash provided by operating activities	128,125	72,483
Cash Flows from Investing Activities:		
Additions to property, plant and equipment (exclusive of acquisition)	(124,599)	(104,422)
Proceeds from the sale of property, plant and equipment	333	274
Proceeds from the sale of BYB Brands, Inc.	-	26,360
Investment in CONA Services LLC	(7,216)	-
Acquisition of Expansion Territories, net of cash acquired	(174,571)	(52,739)
Net cash used in investing activities	(306,053)	(130,527)
Cash Flows from Financing Activities:		
Borrowings under Term Loan Facility	300,000	-
Borrowings under Revolving Credit Facility	310,000	269,000
Payment of Revolving Credit Facility	(245,000)	(65,000)