

COCA COLA BOTTLING CO CONSOLIDATED /DE/  
Form 10-Q  
August 09, 2013  
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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 June 30, 2013**

**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.

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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 July 31, 2013
Common Stock, \$1.00 Par Value	7,141,447
Class B Common Stock, \$1.00 Par Value	2,108,962

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**COCA-COLA BOTTLING CO. CONSOLIDATED**  
**QUARTERLY REPORT ON FORM 10-Q**  
**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2013**

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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	
	2013	2012	2013	2012
Net sales	\$ 428,979	\$ 430,693	\$ 812,530	\$ 807,878
Cost of sales	258,664	257,280	488,516	478,871
Gross margin	170,315	173,413	324,014	329,007
Selling, delivery and administrative expenses	143,416	144,864	281,627	281,825
<b>Income from operations</b>	26,899	28,549	42,387	47,182
Interest expense, net	7,409	9,079	14,788	18,150
Income before income taxes	19,490	19,470	27,599	29,032
Income tax expense	7,354	7,570	9,794	12,037
<b>Net income</b>	12,136	11,900	17,805	16,995
Less: Net income attributable to noncontrolling interest	907	1,153	1,714	1,683
<b>Net income attributable to Coca-Cola Bottling Co. Consolidated</b>	<b>\$ 11,229</b>	<b>\$ 10,747</b>	<b>\$ 16,091</b>	<b>\$ 15,312</b>
<b>Basic net income per share based on net income attributable to Coca-Cola Bottling Co. Consolidated:</b>				
Common Stock	\$ 1.21	\$ 1.16	\$ 1.74	\$ 1.66
Weighted average number of Common Stock shares outstanding	7,141	7,141	7,141	7,141
Class B Common Stock	\$ 1.21	\$ 1.16	\$ 1.74	\$ 1.66
Weighted average number of Class B Common Stock shares outstanding	2,109	2,089	2,102	2,081
<b>Diluted net income per share based on net income attributable to Coca-Cola Bottling Co. Consolidated:</b>				
Common Stock	\$ 1.21	\$ 1.16	\$ 1.73	\$ 1.65
Weighted average number of Common Stock shares outstanding assuming dilution	9,290	9,270	9,283	9,262
Class B Common Stock	\$ 1.21	\$ 1.16	\$ 1.73	\$ 1.65
Weighted average number of Class B Common Stock shares outstanding assuming dilution	2,149	2,129	2,142	2,121
<b>Cash dividends per share:</b>				
Common Stock	\$ .25	\$ .25	\$ .50	\$ .50
Class B Common Stock	\$ .25	\$ .25	\$ .50	\$ .50

See Accompanying Notes to Consolidated Financial Statements.

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Coca-Cola Bottling Co. Consolidated

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

In Thousands

	Second Quarter		First Half	
	2013	2012	2013	2012
Net income	\$ 12,136	\$ 11,900	\$ 17,805	\$ 16,995
Other comprehensive income, net of tax:				
Foreign currency translation adjustment	0	1	1	0
Defined benefit plans reclassification included in pension costs:				
Actuarial loss	509	421	1,019	841
Prior service costs	3	3	5	6
Postretirement benefits reclassification included in benefits costs:				
Actuarial loss	426	371	851	743
Prior service costs	(230)	(229)	(460)	(459)
Other comprehensive income, net of tax	708	567	1,416	1,131
Comprehensive income	12,844	12,467	19,221	18,126
Less: Comprehensive income attributable to noncontrolling interest	907	1,153	1,714	1,683
Comprehensive income attributable to Coca-Cola Bottling Co. Consolidated	\$ 11,937	\$ 11,314	\$ 17,507	\$ 16,443

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)

	June 30, 2013	Dec. 30, 2012	July 1, 2012
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 25,725	\$ 10,399	\$ 78,328
Accounts receivable, trade, less allowance for doubtful accounts of \$1,667, \$1,490 and \$1,543, respectively	121,296	103,524	120,706
Accounts receivable from The Coca-Cola Company	25,114	15,521	23,899
Accounts receivable, other	12,379	12,876	11,639
Inventories	75,353	65,924	76,776
Prepaid expenses and other current assets	31,101	33,068	31,875
<b>Total current assets</b>	<b>290,968</b>	<b>241,312</b>	<b>343,223</b>
<b>Property, plant and equipment, net</b>	<b>298,257</b>	<b>307,467</b>	<b>294,807</b>
<b>Leased property under capital leases, net</b>	<b>51,243</b>	<b>54,150</b>	<b>57,052</b>
<b>Other assets</b>	<b>61,172</b>	<b>53,801</b>	<b>54,794</b>
<b>Franchise rights</b>	<b>520,672</b>	<b>520,672</b>	<b>520,672</b>
<b>Goodwill</b>	<b>102,049</b>	<b>102,049</b>	<b>102,049</b>
<b>Other identifiable intangible assets, net</b>	<b>3,847</b>	<b>4,023</b>	<b>4,231</b>
<b>Total assets</b>	<b>\$ 1,328,208</b>	<b>\$ 1,283,474</b>	<b>\$ 1,376,828</b>

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)

	June 30, 2013	Dec. 30, 2012	July 1, 2012
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities:</b>			
Current portion of debt	\$ 20,000	\$ 20,000	\$ 120,000
Current portion of obligations under capital leases	5,612	5,230	4,975
Accounts payable, trade	49,240	51,651	43,039
Accounts payable to The Coca-Cola Company	49,876	27,830	49,128
Other accrued liabilities	72,162	75,113	78,783
Accrued compensation	18,644	32,428	20,460
Accrued interest payable	3,998	4,060	5,107
Total current liabilities	219,532	216,312	321,492
<b>Deferred income taxes</b>	140,085	140,965	143,267
<b>Pension and postretirement benefit obligations</b>	139,155	140,719	122,254
<b>Other liabilities</b>	123,773	118,303	115,143
<b>Obligations under capital leases</b>	61,851	64,351	67,027
<b>Long-term debt</b>	428,475	403,386	403,301
Total liabilities	1,112,871	1,084,036	1,172,484
<b>Commitments and Contingencies (Note 14)</b>			
<b>Equity:</b>			
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 2,737,076, 2,716,956 and 2,716,956 shares, respectively	2,735	2,715	2,715
Capital in excess of par value	108,959	107,681	107,600
Retained earnings	181,910	170,439	163,148
Accumulated other comprehensive loss	(93,110)	(94,526)	(79,689)
	210,698	196,513	203,978
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	149,444	135,259	142,724
Noncontrolling interest	65,893	64,179	61,620
Total equity	215,337	199,438	204,344
Total liabilities and equity	\$ 1,328,208	\$ 1,283,474	\$ 1,376,828



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 Jan. 1, 2012	\$ 10,204	\$ 2,693	\$ 106,201	\$ 152,446	\$ (80,820)	\$ (61,254)	\$ 129,470	\$ 59,937	\$ 189,407
Net income				15,312			15,312	1,683	16,995
Other comprehensive income, net of tax					1,131		1,131		1,131
Cash dividends paid									
Common (\$.50 per share)				(3,571)			(3,571)		(3,571)
Class B Common (\$.50 per share)				(1,039)			(1,039)		(1,039)
Issuance of 22,320 shares of Class B Common Stock		22	1,399				1,421		1,421
Balance on July 1, 2012	\$ 10,204	\$ 2,715	\$ 107,600	\$ 163,148	\$ (79,689)	\$ (61,254)	\$ 142,724	\$ 61,620	\$ 204,344
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				16,091			16,091	1,714	17,805
Other comprehensive income, net of tax					1,416		1,416		1,416
Cash dividends paid									
Common (\$.50 per share)				(3,571)			(3,571)		(3,571)
Class B Common (\$.50 per share)				(1,049)			(1,049)		(1,049)
Issuance of 20,120 shares of Class B Common Stock		20	1,278				1,298		1,298
Balance on June 30, 2013	\$ 10,204	\$ 2,735	\$ 108,959	\$ 181,910	\$ (93,110)	\$ (61,254)	\$ 149,444	\$ 65,893	\$ 215,337

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	
	2013	2012
<b><u>Cash Flows from Operating Activities</u></b>		
Net income	\$ 17,805	\$ 16,995
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	28,889	30,841
Amortization of intangibles	166	208
Deferred income taxes	576	2,196
(Gain)/loss on sale of property, plant and equipment	(763)	392
Amortization of debt costs	971	1,154
Amortization of deferred gain related to terminated interest rate agreements	(273)	(615)
Stock compensation expense	1,223	1,286
Increase in current assets less current liabilities	(19,542)	(14,679)
Increase in other noncurrent assets	(4,890)	(5,280)
Increase (decrease) in other noncurrent liabilities	872	(16,336)
Other	15	0
<b>Total adjustments</b>	<b>7,244</b>	<b>(833)</b>
<b>Net cash provided by operating activities</b>	<b>25,049</b>	<b>16,162</b>
<b><u>Cash Flows from Investing Activities</u></b>		
Additions to property, plant and equipment	(33,140)	(24,817)
Proceeds from the sale of property, plant and equipment	5,669	153
Change in restricted cash	0	3,000
<b>Net cash used in investing activities</b>	<b>(27,471)</b>	<b>(21,664)</b>
<b><u>Cash Flows from Financing Activities</u></b>		
Borrowings under revolving credit facility	55,000	0
Payment on revolving credit facility	(30,000)	0
Cash dividends paid	(4,620)	(4,610)
Principal payments on capital lease obligations	(2,572)	(2,260)
Other	(60)	(58)
<b>Net cash provided by (used in) financing activities</b>	<b>17,748</b>	<b>(6,928)</b>
<b>Net increase (decrease) in cash</b>	<b>15,326</b>	<b>(12,430)</b>
Cash at beginning of period	10,399	90,758
<b>Cash at end of period</b>	<b>\$ 25,725</b>	<b>\$ 78,328</b>
<b><u>Significant non-cash investing and financing activities:</u></b>		
Issuance of Class B Common Stock in connection with stock award	\$ 1,298	\$ 1,421
Capital lease obligations incurred	455	209

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 30, 2012 filed with the United States Securities and Exchange Commission.

Certain prior year amounts have been reclassified to conform to current classifications.

### **Revision of Prior Period Financial Statements**

In connection with the preparation of the consolidated financial statements for the fourth quarter of 2012, the Company identified an error in the treatment of a certain prior year deferred tax asset in the Consolidated Balance Sheets. This resulted in an understatement of net noncurrent deferred income tax liability and an overstatement of retained earnings, and therefore equity, for each of the impacted periods. This error affected the Consolidated Balance Sheets and Consolidated Statements of Changes in Stockholders Equity as presented in each of the quarters of 2012, 2011 and 2010, including the year-end consolidated financial statements for 2011 and 2010. This resulted in an understatement of deferred income taxes and an overstatement of retained earnings for each of the impacted periods. In accordance with accounting guidance presented in ASC 250-10 (SEC Staff Accounting Bulletin No. 99, Materiality), the Company assessed the materiality of the error and concluded that it was not material to any of the Company s previously issued financial statements taken as a whole. The Company has revised previously issued financial statements to correct the effect of this error. This revision did not affect the Company s Consolidated Statements of Operations or Consolidated Statements of Cash Flows for any of these periods.

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Coca-Cola Bottling Co. Consolidated

Notes to Consolidated Financial Statements (Unaudited)

1. Significant Accounting Policies

In Thousands	First Half Ended July 1, 2012		
	As Previously Reported	Adjustment	As Revised
Deferred income taxes	\$ 141,436	\$ 1,831	\$ 143,267
Total liabilities	1,170,653 <sup>(1)</sup>	1,831	1,172,484
Retained earnings	164,979	(1,831)	