

COCA COLA BOTTLING CO CONSOLIDATED /DE/

Form 10-Q

November 12, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q**

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

**For the quarterly period ended October 3, 2010**

**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 incorporation or organization)

(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)

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

Smaller reporting company

(Do not check if a 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 October 29, 2010
Common Stock, \$1.00 Par Value	7,141,447
Class B Common Stock, \$1.00 Par Value	2,044,202



**COCA-COLA BOTTLING CO. CONSOLIDATED  
QUARTERLY REPORT ON FORM 10-Q  
FOR THE QUARTERLY PERIOD ENDED OCTOBER 3, 2010  
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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	
	2010	2009	2010	2009
Net sales	\$ 395,364	\$ 374,556	\$ 1,160,223	\$ 1,088,566
Cost of sales	222,247	217,236	672,395	623,990
Gross margin	173,117	157,320	487,828	464,576
Selling, delivery and administrative expenses	139,455	131,024	406,689	386,461
<b>Income from operations</b>	<b>33,662</b>	<b>26,296</b>	<b>81,139</b>	<b>78,115</b>
Interest expense, net	8,841	8,866	26,453	28,059
<b>Income before income taxes</b>	<b>24,821</b>	<b>17,430</b>	<b>54,686</b>	<b>50,056</b>
Income tax expense	7,610	1,043	18,936	11,928
<b>Net income</b>	<b>17,211</b>	<b>16,387</b>	<b>35,750</b>	<b>38,128</b>
Less: Net income attributable to the noncontrolling interest	1,678	959	3,514	1,982
<b>Net income attributable to Coca-Cola Bottling Co. Consolidated</b>	<b>\$ 15,533</b>	<b>\$ 15,428</b>	<b>\$ 32,236</b>	<b>\$ 36,146</b>
<b>Basic net income per share based on net income attributable to Coca-Cola Bottling Co. Consolidated:</b>				
Common Stock	\$ 1.69	\$ 1.68	\$ 3.51	\$ 3.94
Weighted average number of Common Stock shares outstanding	7,141	7,141	7,141	7,047
Class B Common Stock	\$ 1.69	\$ 1.68	\$ 3.51	\$ 3.94
Weighted average number of Class B Common Stock shares outstanding	2,044	2,022	2,039	2,117
<b>Diluted net income per share based on net income attributable to Coca-Cola Bottling Co. Consolidated:</b>				
Common Stock	\$ 1.68	\$ 1.68	\$ 3.50	\$ 3.93
Weighted average number of Common Stock shares outstanding assuming dilution	9,225	9,203	9,220	9,194

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Class B Common Stock	\$ 1.68	\$ 1.67	\$ 3.48	\$ 3.92
Weighted average number of Class B Common Stock shares outstanding assuming dilution	2,084	2,062	2,079	2,147
<b>Cash dividends per share:</b>				
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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CONSOLIDATED BALANCE SHEETS  
In Thousands (Except Share Data)

	Unaudited Oct. 3, 2010	Jan. 3, 2010	Unaudited Sept. 27, 2009
<b><u>ASSETS</u></b>			
<b><u>Current Assets:</u></b>			
Cash and cash equivalents	\$ 30,424	\$ 17,770	\$ 25,062
Restricted cash	3,500	4,500	4,512
Accounts receivable, trade, less allowance for doubtful accounts of \$1,261, \$2,187 and \$1,971, respectively	115,554	92,727	96,263
Accounts receivable from The Coca-Cola Company	20,165	4,109	17,460
Accounts receivable, other	23,382	17,005	17,015
Inventories	62,686	59,122	67,762
Prepaid expenses and other current assets	31,817	35,016	25,398
 Total current assets	 287,528	 230,249	 253,472
 <b>Property, plant and equipment, net</b>	 312,759	 326,701	 319,456
<b>Leased property under capital leases, net</b>	48,029	51,548	52,727
<b>Other assets</b>	40,645	46,508	46,001
<b>Franchise rights</b>	520,672	520,672	520,672
<b>Goodwill</b>	102,049	102,049	102,049
<b>Other identifiable intangible assets, net</b>	4,983	5,350	5,489
 Total	 \$ 1,316,665	 \$ 1,283,077	 \$ 1,299,866

See Accompanying Notes to Consolidated Financial Statements

**Table of Contents**Coca-Cola Bottling Co. Consolidated  
CONSOLIDATED BALANCE SHEETS  
In Thousands (Except Share Data)

	Unaudited Oct. 3, 2010	Jan. 3, 2010	Unaudited Sept. 27, 2009
<b><u>LIABILITIES AND EQUITY</u></b>			
<b><u>Current Liabilities:</u></b>			
Current portion of debt	\$	\$	\$
Current portion of obligations under capital leases	3,861	3,846	3,759
Accounts payable, trade	38,377	36,794	32,597
Accounts payable to The Coca-Cola Company	43,394	27,880	43,601
Other accrued liabilities	65,119	61,978	64,208
Accrued compensation	26,385	25,963	23,195
Accrued interest payable	10,056	5,521	12,487
Total current liabilities	187,192	161,982	179,847
Deferred income taxes	158,359	158,548	142,239
Pension and postretirement benefit obligations	81,021	89,306	99,066
Other liabilities	108,417	106,968	103,788
Obligations under capital leases	56,386	59,261	60,247
Long-term debt	523,025	537,917	552,882
Total liabilities	1,114,400	1,113,982	1,138,069
<b>Commitments and Contingencies (Note 14)</b>			
<b><u>Equity:</u></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 2,672,316, 2,649,996 and 2,649,996 shares, respectively	2,671	2,649	2,649
Capital in excess of par value	104,758	103,464	103,562
Retained earnings	133,347	107,995	108,295
Accumulated other comprehensive loss	(43,779)	(46,767)	(54,038)
	207,201	177,545	170,672
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	145,947	116,291	109,418
Noncontrolling interest	56,318	52,804	52,379



Total equity	202,265	169,095	161,797
Total	\$ 1,316,665	\$ 1,283,077	\$ 1,299,866

See Accompanying Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)  
In Thousands

	Class		Capital	Accumulated			Total Equity of CCBCC	Noncontrolling Interest	Total Equity
	Common Stock	Common Stock	in Excess of Par Value	Retained Earnings	Other Comprehensive Loss	Treasury Stock			
Balance on Dec. 28, 2008	\$ 9,706	\$ 3,127	\$ 103,582	\$ 79,021	\$ (57,873)	\$ (61,254)	\$ 76,309	\$ 50,397	\$ 126,706
<b>Comprehensive income:</b>									
Net income				36,146			36,146	1,982	38,128
Foreign currency translation adjustments, net of tax						1	1		1
Pension and postretirement benefit adjustments, net of tax						3,834	3,834		3,834
<b>Total comprehensive income</b>							39,981	1,982	41,963
Cash dividends paid									
Common (\$.75 per share)				(5,232)			(5,232)		(5,232)
Class B Common (\$.75 per share)				(1,640)			(1,640)		(1,640)
Issuance of 20,000 shares of Class B Common Stock		20	(20)						
Conversion of Class B Common Stock into Common Stock	498	(498)							
Balance on Sept. 27, 2009	\$ 10,204	\$ 2,649	\$ 103,562	\$ 108,295	\$ (54,038)	\$ (61,254)	\$ 109,418	\$ 52,379	\$ 161,797

Balance on Jan. 3, 2010	\$ 10,204	\$ 2,649	\$ 103,464	\$ 107,995	\$ (46,767)	\$ (61,254)	\$ 116,291	\$ 52,804	\$ 169,095
<b>Comprehensive income:</b>									
Net income				32,236			32,236	3,514	35,750
Ownership share of Southeastern OCI					39		39		39
Foreign currency translation adjustments, net of tax					(7)		(7)		(7)
Pension and postretirement benefit adjustments, net of tax					2,956		2,956		2,956
<b>Total comprehensive income</b>							35,224	3,514	38,738
Cash dividends paid									
Common (\$.75 per share) Class B				(5,356)			(5,356)		(5,356)
Common (\$.75 per share) Issuance of 22,320 shares of Class B				(1,528)			(1,528)		(1,528)
Common Stock		22	1,294				1,316		1,316
Balance on Oct. 3, 2010	\$ 10,204	\$ 2,671	\$ 104,758	\$ 133,347	\$ (43,779)	\$ (61,254)	\$ 145,947	\$ 56,318	\$ 202,265

See Accompanying Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
In Thousands

	First Nine Months	
	2010	2009
<b><u>Cash Flows from Operating Activities</u></b>		
Net income	\$ 35,750	\$ 38,128
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	44,163	45,526
Amortization of intangibles	367	421
Deferred income taxes	2,188	6,470
Loss on sale of property, plant and equipment	1,211	767
Impairment of property, plant and equipment	425	
Net gain on property, plant and equipment damaged in flood	(881)	
Amortization of debt costs	1,760	1,811
Amortization of deferred gain related to terminated interest rate agreements	(907)	(1,770)
Stock compensation expense	1,588	1,464
Insurance proceeds received for flood damage	1,450	
Increase in current assets less current liabilities	(22,043)	(13,063)
(Increase) decrease in other noncurrent assets	4,434	(12,606)
Decrease in other noncurrent liabilities	(5,368)	(8,813)
Other	(13)	1
Total adjustments	28,374	20,208
Net cash provided by operating activities	64,124	58,336
<b><u>Cash Flows from Investing Activities</u></b>		
Additions to property, plant and equipment	(29,011)	(29,776)
Proceeds from the sale of property, plant and equipment	1,373	4,942
(Increase) decrease in restricted cash	1,000	(4,512)
Net cash used in investing activities	(26,638)	(29,346)
<b><u>Cash Flows from Financing Activities</u></b>		
Proceeds from the issuance of long-term debt, net		108,062
Borrowings (repayments) under revolving credit facility	(15,000)	30,000
Repayment current portion of long-term debt		(176,693)
Cash dividends paid	(6,884)	