

COCA COLA BOTTLING CO CONSOLIDATED /DE/

Form 10-Q

May 09, 2008

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**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 March 30, 2008  
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 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. (Check one):

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 April 30, 2008
Common Stock, \$1.00 Par Value	6,643,677
Class B Common Stock, \$1.00 Par Value	2,499,652

**COCA-COLA BOTTLING CO. CONSOLIDATED  
QUARTERLY REPORT ON FORM 10-Q  
FOR THE QUARTERLY PERIOD ENDED MARCH 30, 2008  
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## PART I FINANCIAL INFORMATION

**Item I. Financial Statements.**

Coca-Cola Bottling Co. Consolidated

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

In Thousands (Except Per Share Data)

	First Quarter	
	2008	2007
<b>Net sales</b>	\$ 337,674	\$ 337,556
Cost of sales	197,756	186,065
<b>Gross margin</b>	139,918	151,491
Selling, delivery and administrative expenses	136,243	130,942
<b>Income from operations</b>	3,675	20,549
Interest expense	10,434	12,218
Minority interest	(339)	681
<b>Income (loss) before income taxes</b>	(6,420)	7,650
Income tax provision (benefit)	(2,085)	2,999
<b>Net income (loss)</b>	\$ (4,335)	\$ 4,651
<b>Basic net income (loss) per share:</b>		
Common Stock	\$ (.47)	\$ .51
Weighted average number of Common Stock shares outstanding	6,644	6,643
Class B Common Stock	\$ (.47)	\$ .51
Weighted average number of Class B Common Stock shares outstanding	2,500	2,480
<b>Diluted net income (loss) per share:</b>		
Common Stock	\$ (.47)	\$ .51
Weighted average number of Common Stock shares outstanding assuming dilution	9,144	9,131
Class B Common Stock	\$ (.47)	\$ .51
Weighted average number of Class B Common Stock shares outstanding assuming dilution	2,500	2,488
<b>Cash dividends per share:</b>		
Common Stock	\$ .25	\$ .25
Class B Common Stock	\$ .25	\$ .25

See Accompanying Notes to Consolidated Financial Statements



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CONSOLIDATED BALANCE SHEETS  
In Thousands (Except Share Data)

	Unaudited March 30, 2008	Dec. 30, 2007	Unaudited April 1, 2007
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 9,930	\$ 9,871	\$ 55,039
Accounts receivable, trade, less allowance for doubtful accounts of \$858, \$1,137 and \$1,328, respectively	107,412	92,499	102,356
Accounts receivable from The Coca-Cola Company	14,158	3,800	16,724
Accounts receivable, other	6,655	7,867	8,801
Inventories	65,556	63,534	63,746
Prepaid expenses and other current assets	24,881	20,758	17,543
 Total current assets	 228,592	 198,329	 264,209
 <b>Property, plant and equipment, net</b>	 358,626	 359,930	 376,185
<b>Leased property under capital leases, net</b>	69,829	70,862	73,962
<b>Other assets</b>	35,662	35,655	36,108
<b>Franchise rights, net</b>	520,672	520,672	520,672
<b>Goodwill, net</b>	102,049	102,049	102,049
<b>Other identifiable intangible assets, net</b>	4,192	4,302	4,636
 Total	 \$ 1,319,622	 \$ 1,291,799	 \$ 1,377,821

See Accompanying Notes to Consolidated Financial Statements

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

	Unaudited March 30, 2008	Dec. 30, 2007	Unaudited April 1, 2007
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
<b>Current Liabilities:</b>			
Current portion of debt	\$ 42,100	\$ 7,400	\$ 103,000
Current portion of obligations under capital leases	2,645	2,602	2,476
Accounts payable, trade	44,887	51,323	42,615
Accounts payable to The Coca-Cola Company	22,610	11,597	23,111
Other accrued liabilities	55,540	54,511	51,827
Accrued compensation	12,935	23,447	10,416
Accrued interest payable	14,337	8,417	18,562
Total current liabilities	195,054	159,297	252,007
<b>Deferred income taxes</b>	165,988	168,540	158,192
<b>Pension and postretirement benefit obligations</b>	33,645	32,758	57,276
<b>Other liabilities</b>	95,045	93,632	95,722
<b>Obligations under capital leases</b>	76,935	77,613	79,581
<b>Long-term debt</b>	591,450	591,450	591,450
Total liabilities	1,158,117	1,123,290	1,234,228
<b>Commitments and Contingencies (Note 14)</b>			
<b>Minority interest</b>	47,666	48,005	46,683
<b>Stockholders Equity:</b>			
Common Stock, \$1.00 par value:			
Authorized 30,000,000 shares;			
Issued 9,706,051, 9,706,051 and 9,705,551 shares, respectively	9,706	9,706	9,705
Class B Common Stock, \$1.00 par value:			
Authorized 10,000,000 shares;			
Issued 3,127,766, 3,107,766 and 3,108,266 shares, respectively	3,127	3,107	3,108
Capital in excess of par value	102,732	102,469	101,418
Retained earnings	72,453	79,227	70,865
Accumulated other comprehensive loss	(12,925)	(12,751)	(26,932)
	175,093	181,758	158,164
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 stockholders equity	113,839	120,504	96,910

Total	\$ 1,319,622	\$ 1,291,799	\$ 1,377,821
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See Accompanying Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (UNAUDITED)  
In Thousands

	Common Stock	Class B Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance on December 31, 2006	\$ 9,705	\$ 3,088	\$ 101,145	\$ 68,495	\$ (27,226)	\$ (61,254)	\$ 93,953
<b>Comprehensive income:</b>							
Net income				4,651			4,651
Foreign currency translation adjustments, net of tax					2		2
Pension and postretirement benefit adjustments, net of tax					292		292
<b>Total comprehensive income</b>							4,945
Cash dividends paid							
Common (\$.25 per share)				(1,661)			(1,661)
Class B Common (\$.25 per share)				(620)			(620)
Issuance of 20,000 shares of Class B Common Stock		20	(20)				
Stock compensation expense			293				293
Balance on April 1, 2007	\$ 9,705	\$ 3,108	\$ 101,418	\$ 70,865	\$ (26,932)	\$ (61,254)	\$ 96,910
Balance on December 30, 2007	\$ 9,706	\$ 3,107	\$ 102,469	\$ 79,227	\$ (12,751)	\$ (61,254)	\$ 120,504
<b>Comprehensive income (loss):</b>							
Net loss				(4,335)			(4,335)
Foreign currency translation adjustments, net of tax					7		7
Pension and postretirement benefit adjustments, net of tax					(67)		(67)
<b>Total comprehensive income (loss)</b>							(4,395)
Adjustment to change measurement date for SFAS No. 158, net of tax				(153)	(114)		(267)
Cash dividends paid Common (\$.25 per share)				(1,661)			(1,661)

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Class B Common (\$.25 per share)				(625)			(625)
Issuance of 20,000 shares of Class B Common Stock		20		(20)			
Stock compensation expense				283			283
Balance on March 30, 2008	\$ 9,706	\$ 3,127	\$ 102,732	\$ 72,453	\$ (12,925)	\$ (61,254)	\$ 113,839

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 Quarter	
	2008	2007
<b>Cash Flows from Operating Activities</b>		
Net income (loss)	\$ (4,335)	\$ 4,651
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	16,629	16,944
Amortization of intangibles	110	111
Deferred income taxes	(2,085)	754
Losses on sale of property, plant and equipment	369	679
Amortization of debt costs	615	768
Amortization of deferred gain related to terminated interest rate agreements	(426)	(424)
Stock compensation expense	283	293
Minority interest	(339)	681
Increase in current assets less current liabilities	(28,879)	(21,518)
(Increase) decrease in other noncurrent assets	147	(285)
Increase (decrease) in other noncurrent liabilities	1,753	(142)
Other	(152)	(92)
Total adjustments	(11,975)	(2,231)
Net cash provided by (used in) operating activities	(16,310)	2,420
<b>Cash Flows from Investing Activities</b>		
Additions to property, plant and equipment	(14,835)	(8,415)
Proceeds from the sale of property, plant and equipment	174	197
Investment in plastic bottle manufacturing cooperative	(729)	(758)
Net cash used in investing activities	(15,390)	(8,976)
<b>Cash Flows from Financing Activities</b>		
Proceeds from lines of credit, net	34,700	3,000
Cash dividends paid	(2,286)	(2,281)
Principal payments on capital lease obligations	(635)	(593)
Other	(20)	(354)
Net cash provided by (used in) financing activities	31,759	(228)
Net increase (decrease) in cash	59	(6,784)
Cash at beginning of period	9,871	61,823
Cash at end of period	\$ 9,930	\$ 55,039

**Significant non-cash investing and financing activities:**

Issuance of Class B Common Stock in connection with stock award	\$ 1,171	\$ 929
Capital lease obligations incurred		5,144

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 significant 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 preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States 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, 2007 filed with the United States Securities and Exchange Commission.

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

2. Seasonality of Business

Historically, operating results for the first quarter of the fiscal year have not been representative of results for the entire fiscal year. Business seasonality results primarily from higher unit sales of the Company's products in the second and third quarters versus the first and fourth quarters of the fiscal year. Fixed costs, such as depreciation and interest expense, are not significantly impacted by business seasonality.

3. Piedmont Coca-Cola Bottling Partnership

On July 2, 1993, the Company and The Coca-Cola Company formed Piedmont Coca-Cola Bottling Partnership (Piedmont) to distribute and market nonalcoholic beverages primarily in portions of North Carolina and South Carolina. The Company provides a portion of the soft drink products to Piedmont at cost and receives a fee for managing the business of Piedmont pursuant to a management agreement. These intercompany transactions are eliminated in the consolidated financial statements.

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Coca-Cola Bottling Co. Consolidated  
Notes to Consolidated Financial Statements (Unaudited)

## 3. Piedmont Coca-Cola Bottling Partnership

Minority interest as of March 30, 2008, December 30, 2007 and April 1, 2007 represents the portion of Piedmont owned by The Coca-Cola Company, which was 22.7% for all periods presented.

## 4. Inventories

Inventories were summarized as follows:

In Thousands	March 30, 2008	Dec. 30, 2007	April 1, 2007
Finished products	\$41,822	\$37,649	\$38,279
Manufacturing materials	6,923	9,198	9,700
Plastic shells, plastic pallets and other inventories	16,811	16,687	15,767
Total inventories	\$65,556	\$63,534	\$63,746

## 5. Property, Plant and Equipment

The principal categories and estimated useful lives of property, plant and equipment were as follows:

In Thousands	March 30, 2008	Dec. 30, 2007	April 1, 2007	Estimated Useful Lives
Land	\$ 12,280	\$ 12,280	\$ 12,455	10-50 years
Buildings	110,721	110,721	111,533	5-20 years
Machinery and equipment	106,575	106,180	101,118	4-13 years
Transportation equipment	174,785	174,882	185,475	4-10 years
Furniture and fixtures	38,587	38,350	39,841	6-13 years
Cold drink dispensing equipment	325,586	323,629	328,404	5-20 years
Leasehold and land improvements	60,047	60,023	58,119	3-10 years
Software for internal use	52,155	51,681	36,677	years
Construction in progress	13,336	6,635	16,603	
Total property, plant and equipment, at cost	894,072	884,381	890,225	