

COCA COLA BOTTLING CO CONSOLIDATED /DE/
Form 10-Q
November 14, 2011

**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, 2011
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)

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 31, 2011
Common Stock, \$1.00 Par Value	7,141,447
Class B Common Stock, \$1.00 Par Value	2,066,522

**COCA-COLA BOTTLING CO. CONSOLIDATED
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED OCTOBER 2, 2011
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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	
	2011	2010	2011	2010
Net sales	\$ 405,858	\$ 395,364	\$ 1,188,380	\$ 1,160,223
Cost of sales	243,142	222,247	710,930	672,395
Gross margin	162,716	173,117	477,450	487,828
Selling, delivery and administrative expenses	137,752	139,455	404,887	406,689
Income from operations	24,964	33,662	72,563	81,139
Interest expense, net	9,087	8,841	26,898	26,453
Income before income taxes	15,877	24,821	45,665	54,686
Income tax expense	4,892	7,610	16,227	18,936
Net income	10,985	17,211	29,438	35,750
Less: Net income attributable to the noncontrolling interest	1,217	1,678	2,656	3,514
Net income attributable to Coca-Cola Bottling Co. Consolidated	\$ 9,768	\$ 15,533	\$ 26,782	\$ 32,236
Basic net income per share based on net income attributable to Coca-Cola Bottling Co. Consolidated:				
Common Stock	\$ 1.06	\$ 1.69	\$ 2.91	\$ 3.51
Weighted average number of Common Stock shares outstanding	7,141	7,141	7,141	7,141
Class B Common Stock	\$ 1.06	\$ 1.69	\$ 2.91	\$ 3.51
Weighted average number of Class B Common Stock shares outstanding	2,067	2,044	2,061	2,039
Diluted net income per share based on net income attributable to Coca-Cola Bottling Co. Consolidated:				
Common Stock	\$ 1.06	\$ 1.68	\$ 2.90	\$ 3.50
Weighted average number of Common Stock shares outstanding assuming dilution	9,248	9,225	9,242	9,220

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Class B Common Stock	\$ 1.05	\$ 1.68	\$ 2.89	\$ 3.48
Weighted average number of Class B Common Stock shares outstanding assuming dilution	2,107	2,084	2,101	2,079
Cash dividends per share:				
Common Stock	\$.25	\$.25	\$.75	\$.75
Class B Common Stock	\$.25	\$.25	\$.75	\$.75

See Accompanying Notes to Consolidated Financial Statements.

Coca-Cola Bottling Co. Consolidated
 CONSOLIDATED BALANCE SHEETS (UNAUDITED)
 In Thousands (Except Share Data)

	Oct. 2, 2011	Jan. 2, 2011	Oct. 3, 2010
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 68,549	\$ 45,872	\$ 30,424
Restricted cash	3,000	3,500	3,500
Accounts receivable, trade, less allowance for doubtful accounts of \$1,555, \$1,300 and \$1,261, respectively	109,173	96,787	115,554
Accounts receivable from The Coca-Cola Company	17,663	12,081	20,165
Accounts receivable, other	10,636	15,829	23,382
Inventories	74,373	64,870	62,686
Prepaid expenses and other current assets	20,800	25,760	31,817
Total current assets	304,194	264,699	287,528
Property, plant and equipment, net	313,511	322,143	312,759
Leased property under capital leases, net	61,294	46,856	48,029
Other assets	51,806	46,332	40,645
Franchise rights	520,672	520,672	520,672
Goodwill	102,049	102,049	102,049
Other identifiable intangible assets, net	4,542	4,871	4,983
Total	\$ 1,358,068	\$ 1,307,622	\$ 1,316,665

See Accompanying Notes to Consolidated Financial Statements.

Coca-Cola Bottling Co. Consolidated
 CONSOLIDATED BALANCE SHEETS (UNAUDITED)
 In Thousands (Except Share Data)

	Oct. 2, 2011	Jan. 2, 2011	Oct. 3, 2010
<u>LIABILITIES AND EQUITY</u>			
<u>Current Liabilities:</u>			
Current portion of obligations under capital leases	\$ 4,373	\$ 3,866	\$ 3,861
Accounts payable, trade	34,518	41,878	38,377
Accounts payable to The Coca-Cola Company	37,240	25,058	43,394
Other accrued liabilities	81,600	69,471	65,119
Accrued compensation	23,883	30,944	26,385
Accrued interest payable	12,717	5,523	10,056
 Total current liabilities	 194,331	 176,740	 187,192
 Deferred income taxes	 142,226	 143,962	 158,359
Pension and postretirement benefit obligations	106,546	114,163	81,021
Other liabilities	111,736	109,882	108,417
Obligations under capital leases	70,645	55,395	56,386
Long-term debt	523,179	523,063	523,025
 Total liabilities	 1,148,663	 1,123,205	 1,114,400
 Commitments and Contingencies (Note 14)			
<u>Equity:</u>			
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 2,694,636, 2,672,316 and 2,672,316 shares, respectively	2,693	2,671	2,671
Capital in excess of par value	106,140	104,835	104,758
Retained earnings	154,753	134,872	133,347
Accumulated other comprehensive loss	(62,309)	(63,433)	(43,779)
	211,481	189,149	207,201
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	 150,227	 127,895	 145,947
Noncontrolling interest	59,178	56,522	56,318
 Total equity	 209,405	 184,417	 202,265

Total	\$ 1,358,068	\$ 1,307,622	\$ 1,316,665
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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	Accumulated Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Equity of CCBCC	Noncontrolling Interest	Total Equity
Balance on Jan. 3, 2010	\$ 10,204	\$ 2,649	\$ 103,464	\$ 107,995	\$ (46,767)	\$ (61,254)	\$ 116,291	\$ 52,804	\$ 169,095
Comprehensive income:									
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
Total comprehensive income							35,224	3,514	38,738
Cash dividends paid Common (\$.75 per share)				(5,356)			(5,356)		(5,356)
Class B Common (\$.75 per share)				(1,528)			(1,528)		(1,528)
Issuance of 22,320 shares of Class B 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
Balance on Jan. 2, 2011	\$ 10,204	\$ 2,671	\$ 104,835	\$ 134,872	\$ (63,433)	\$ (61,254)	\$ 127,895	\$ 56,522	\$ 184,417

Comprehensive income:

Net income		26,782		26,782	2,656	29,438
Foreign currency translation adjustments, net of tax			1	1		1
Pension and postretirement benefit adjustments, net of tax			1,123	1,123		1,123

Total comprehensive income

Cash dividends paid				27,906	2,656	30,562
Common (\$.75 per share)		(5,356)		(5,356)		(5,356)
Class B Common (\$.75 per share)		(1,545)		(1,545)		(1,545)
Issuance of 22,320 shares of Class B Common Stock	22	1,305		1,327		1,327

Balance on Oct.

2, 2011	\$ 10,204	\$ 2,693	\$ 106,140	\$ 154,753	\$ (62,309)	\$ (61,254)	\$ 150,227	\$ 59,178	\$ 209,405
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See Accompanying Notes to Consolidated Financial Statements.

Coca-Cola Bottling Co. Consolidated
 CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
 In Thousands

	First Nine Months	
	2011	2010
<u>Cash Flows from Operating Activities</u>		
Net income	\$ 29,438	\$ 35,750
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	45,828	43,801
Amortization of intangibles	329	367
Deferred income taxes	348	2,188
Loss on sale of property, plant and equipment	405	1,211
Impairment/accelerated depreciation of property, plant and equipment		787
Net gain on property, plant and equipment damaged in flood		(881)
Amortization of debt costs	1,744	1,760
Amortization of deferred gain related to terminated interest rate agreements	(915)	(907)
Stock compensation expense	1,664	1,588
Insurance proceeds received for flood damage		1,450
(Increase) decrease in current assets less current liabilities	6,917	(10,414)
(Increase) decrease in other noncurrent assets	(6,364)	4,434
Decrease in other noncurrent liabilities	(5,809)	(5,368)
Other	2	(13)
Total adjustments	44,149	40,003
Net cash provided by operating activities	73,587	75,753
<u>Cash Flows from Investing Activities</u>		
Additions to property, plant and equipment	(41,392)	(40,640)
Proceeds from the sale of property, plant and equipment	552	1,373
Decrease in restricted cash	500	1,000
Net cash used in investing activities	(40,340)	(38,267)
<u>Cash Flows from Financing Activities</u>		
Repayments under revolving credit facility		(15,000)
Cash dividends paid	(6,901)	(6,884)
Principal payments on capital lease obligations	(2,875)	(2,860)
Debt issuance costs paid	(668)	
Other	(126)	(88)
Net cash used in financing activities	(10,570)	(24,832)
Net increase in cash	22,677	12,654
Cash at beginning of period	45,872	17,770

Cash at end of period	\$ 68,549	\$ 30,424
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Significant non-cash investing and financing activities:

Issuance of Class B Common Stock in connection with stock award	\$ 1,327	\$ 1,316
Capital lease obligations incurred	18,632	

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.

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

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 January 2, 2011 filed with the United States Securities and Exchange Commission.

Revision of Prior Period Financial Statements

In connection with the preparation of the consolidated financial statements for the second quarter of 2011, the Company identified an error in the treatment of accrued additions for property, plant and equipment in the Consolidated Statements of Cash Flows. This error affected the year-to-date Consolidated Statements of Cash Flows presented in each of the quarters of 2010, including the year-end consolidated financial statements for 2010, as well as the first quarter of 2011 and resulted in an understatement of net cash provided by operating activities and net cash used in investing activities 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 the error was not material to any of the Company's previously issued financial statements taken as a whole. The Company will revise 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 Balance Sheets for any of these periods.

Coca-Cola Bottling Co. Consolidated
Notes to Consolidated Financial Statements (Unaudited)
1. Significant Accounting Policies
The following tables present the effe