

TreeHouse Foods, Inc.
Form 10-Q
May 08, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934
For the Quarterly Period Ended March 31, 2012.**

or

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition Period from _____ to _____
Commission File Number 001-32504**

TreeHouse Foods, Inc.

(Exact name of the registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

20-2311383
(I.R.S. employer identification no.)

2021 Spring Road, Suite 600

Oak Brook, IL
(Address of principal executive offices)

60523
(Zip Code)
(Registrant's telephone number, including area code) **(708) 483-1300**

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

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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

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

Number of shares of Common Stock, \$0.01 par value, outstanding as of April 30, 2012: 35,951,836.

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Table of Contents**Part I Financial Information****Item 1. Financial Statements****TREEHOUSE FOODS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except per share data)

	March 31, 2012	December 31, 2011
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 67,324	\$ 3,279
Receivables, net	120,410	115,168
Inventories, net	338,725	329,374
Deferred income taxes	3,520	3,854
Prepaid expenses and other current assets	14,217	12,638
Assets held for sale	4,081	4,081
Total current assets	548,277	468,394
Property, plant and equipment, net	408,217	406,558
Goodwill	1,070,943	1,068,419
Intangible assets, net	432,895	437,860
Other assets, net	22,671	23,298
Total assets	\$ 2,483,003	\$ 2,404,529
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 185,756	\$ 169,525
Current portion of long-term debt	1,960	1,954
Total current liabilities	187,716	171,479
Long-term debt	931,301	902,929
Deferred income taxes	203,924	202,258
Other long-term liabilities	54,207	54,346
Total liabilities	1,377,148	1,331,012
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Preferred stock, par value \$0.01 per share, 10,000 shares authorized, none issued		
Common stock, par value \$0.01 per share, 90,000 shares authorized, 35,951 and 35,921 shares issued and outstanding, respectively	359	359
Additional paid-in capital	717,392	714,932
Retained earnings	402,660	380,588
Accumulated other comprehensive loss	(14,556)	(22,362)
Total stockholders' equity	1,105,855	1,073,517

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Total liabilities and stockholders' equity	\$ 2,483,003	\$ 2,404,529
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See Notes to Condensed Consolidated Financial Statements.

Table of Contents**TREEHOUSE FOODS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except per share data)

	Three Months Ended March 31,	
	2012	2011
	(Unaudited)	
Net sales	\$ 523,811	\$ 493,513
Cost of sales	408,879	372,587
Gross profit	114,932	120,926
Operating expenses:		
Selling and distribution	34,294	36,260
General and administrative	26,604	29,243
Other operating expense, net	460	2,650
Amortization expense	8,263	8,049
Total operating expenses	69,621	76,202
Operating income	45,311	44,724
Other expense (income):		
Interest expense	13,212	13,851
Loss on foreign currency exchange	856	1,430
Other income, net	(461)	(492)
Total other expense	13,607	14,789
Income before income taxes	31,704	29,935
Income taxes	9,630	10,127
Net income	\$ 22,074	\$ 19,808
Net earnings per common share:		
Basic	\$.61	\$.56
Diluted	\$.60	\$.54
Weighted average common shares:		
Basic	36,019	35,534
Diluted	37,094	36,785

See Notes to Condensed Consolidated Financial Statements

Table of Contents**TREEHOUSE FOODS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In thousands)

	Three Months Ended March 31,	
	2012	2011
	(Unaudited)	
Net income	\$ 22,074	\$ 19,808
Other comprehensive income:		
Foreign currency translation adjustments	7,487	8,803
Pension and post-retirement reclassification adjustment, net of tax of \$177 and \$106, respectively	279	169
Derivative reclassification adjustment, net of tax of \$25, respectively	40	40
Other comprehensive income	7,806	9,012
Comprehensive income	\$ 29,880	\$ 28,820

See Notes to Condensed Consolidated Financial Statements

Table of Contents**TREEHOUSE FOODS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	Three Months Ended March 31,	
	2012	2011
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 22,074	\$ 19,808
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	12,458	11,787
Amortization	8,263	8,049
(Gain) loss on foreign currency exchange	(112)	800
Mark to market adjustment on derivative contracts	(517)	(575)
Excess tax benefits from stock-based compensation	(302)	(422)
Stock-based compensation	2,685	4,774
Loss on disposition of assets	778	
Write-down of tangible assets		2,352
Deferred income taxes	1,610	463
Other	44	31
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	(4,725)	(3,782)
Inventories	(8,307)	(10,693)
Prepaid expenses and other assets	(18)	1,748
Accounts payable, accrued expenses and other liabilities	18,303	(1,592)
Net cash provided by operating activities	52,234	32,748
Cash flows from investing activities:		
Additions to property, plant and equipment	(15,566)	(10,578)
Additions to other intangible assets	(2,507)	(4,150)
Acquisition of business, net of cash acquired		1,401
Proceeds from sale of fixed assets	34	33
Net cash used in investing activities	(18,039)	(13,294)
Cash flows from financing activities:		
Borrowings under revolving credit facility	104,200	80,600
Payments under revolving credit facility	(75,300)	(105,000)
Payments on capitalized lease obligations	(407)	(196)
Net payments related to stock-based award activities	(655)	(18)
Excess tax benefits from stock-based compensation	302	422
Net cash provided by (used in) financing activities	28,140	(24,192)
Effect of exchange rate changes on cash and cash equivalents	1,710	790
Net increase (decrease) in cash and cash equivalents	64,045	(3,948)
Cash and cash equivalents, beginning of period	3,279	6,323
Cash and cash equivalents, end of period	\$ 67,324	\$ 2,375

See Notes to Condensed Consolidated Financial Statements.

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TREEHOUSE FOODS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of and for the three months ended March 31, 2012

(Unaudited)

1. Basis of Presentation

The unaudited Condensed Consolidated Financial Statements included herein have been prepared by TreeHouse Foods, Inc. (the Company, we, us, or our), pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) applicable to quarterly reporting on Form 10-Q. In our opinion, these statements include all adjustments necessary for a fair presentation of the results of all interim periods reported herein. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted as permitted by such rules and regulations. The Condensed Consolidated Financial Statements and related notes should be read in conjunction with the Consolidated Financial Statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011. Results of operations for interim periods are not necessarily indicative of annual results.

The preparation of our Condensed Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires us to use our judgment to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements, and the reported amounts of net sales and expenses during the reporting period. Actual results could differ from these estimates.

A detailed description of the Company's significant accounting policies can be found in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

2. Recent Accounting Pronouncements

On June 16, 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-05, *Presentation of Comprehensive Income* which revises the manner in which entities present comprehensive income in their financial statements. This ASU removes the current presentation guidance and requires comprehensive income to be presented either in a single continuous statement of comprehensive income or two separate but consecutive statements. This guidance is effective for fiscal years and interim periods within those years, beginning after December 15, 2011. ASU 2011-05 does not change current accounting and adoption of this ASU did not have a significant impact on the Company's financial statements. The Company adopted this guidance using the two separate but consecutive statements approach.

On May 12, 2011, the FASB issued ASU 2011-04, *Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This ASU provides converged guidance on how (not when) to measure fair value. The ASU provides expanded disclosure requirements and other amendments, including those that eliminate unnecessary wording differences between U.S. GAAP and