

COCA COLA BOTTLING CO CONSOLIDATED /DE/

Form 10-Q

August 09, 2007

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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 July 1, 2007

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 or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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 July 31, 2007
Common Stock, \$1.00 Par Value	6,643,677
Class B Common Stock, \$1.00 Par Value	2,479,652

**COCA-COLA BOTTLING CO. CONSOLIDATED
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JULY 1, 2007
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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)

	Second Quarter		First Half	
	2007	2006	2007	2006
Net sales	\$ 390,443	\$ 386,624	\$ 727,999	\$ 719,803
Cost of sales	221,153	218,935	407,218	406,088
Gross margin	169,290	167,689	320,781	313,715
Selling, delivery and administrative expenses	136,684	138,310	267,515	270,038
Amortization of intangibles	112	142	223	290
Income from operations	32,494	29,237	53,043	43,387
Interest expense	12,294	12,843	24,512	25,063
Minority interest	1,169	1,149	1,850	1,705
Income before income taxes	19,031	15,245	26,681	16,619
Income taxes	7,340	6,358	10,339	6,917
Net income	\$ 11,691	\$ 8,887	\$ 16,342	\$ 9,702
Basic net income per share:				
Common Stock	\$ 1.28	\$.98	\$ 1.79	\$ 1.07
Weighted average number of Common Stock shares outstanding	6,644	6,643	6,643	6,643
Class B Common Stock	\$ 1.28	\$.98	\$ 1.79	\$ 1.07
Weighted average number of Class B Common Stock shares outstanding	2,480	2,460	2,480	2,460
Diluted net income per share:				
Common Stock	\$ 1.28	\$.97	\$ 1.79	\$ 1.06
Weighted average number of Common Stock shares outstanding assuming dilution	9,143	9,123	9,137	9,118
Class B Common Stock	\$ 1.28	\$.97	\$ 1.79	\$ 1.06
Weighted average number of Class B Common Stock shares outstanding assuming dilution	2,500	2,480	2,494	2,475

Cash dividends per share:

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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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CONSOLIDATED BALANCE SHEETS
In Thousands (Except Share Data)

	Unaudited July 1, 2007	Dec. 31, 2006	Unaudited July 2, 2006
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 71,149	\$ 61,823	\$ 30,971
Accounts receivable, trade, less allowance for doubtful accounts of \$1,024, \$1,334 and \$1,490, respectively	109,977	91,299	106,740
Accounts receivable from The Coca-Cola Company	22,660	4,915	10,709
Accounts receivable, other	10,296	8,565	10,485
Inventories	66,347	67,055	63,932
Prepaid expenses and other current assets	17,444	13,485	15,848
Total current assets	297,873	247,142	238,685
Property, plant and equipment, net	365,167	384,464	385,813
Leased property under capital leases, net	72,929	69,851	71,511
Other assets	36,767	35,542	38,892
Franchise rights	520,672	520,672	520,672
Goodwill	102,049	102,049	102,049
Other identifiable intangible assets, net	4,524	4,747	4,986
Total	\$ 1,399,981	\$ 1,364,467	\$ 1,362,608

See Accompanying Notes to Consolidated Financial Statements

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CONSOLIDATED BALANCE SHEETS
In Thousands (Except Share Data)

	Unaudited July 1, 2007	Dec. 31, 2006	Unaudited July 2, 2006
LIABILITIES AND STOCKHOLDERS EQUITY			
Current Liabilities:			
Current portion of debt	\$ 100,000	\$ 100,000	
Current portion of obligations under capital leases	2,517	2,435	\$ 1,594
Accounts payable, trade	41,379	44,050	40,890
Accounts payable to The Coca-Cola Company	35,990	21,748	34,695
Other accrued liabilities	57,864	51,030	51,973
Accrued compensation	15,598	19,671	13,073
Accrued interest payable	10,021	10,008	9,747
Total current liabilities	263,369	248,942	151,972
Deferred income taxes	157,440	162,694	163,650
Pension and postretirement benefit obligations	57,489	57,757	65,227
Other liabilities	96,539	88,598	89,458
Obligations under capital leases	78,936	75,071	76,728
Long-term debt	591,450	591,450	691,450
Total liabilities	1,245,223	1,224,512	1,238,485
Commitments and Contingencies (Note 14)			
Minority interest	47,853	46,002	44,489
Stockholders Equity:			
Common Stock, \$1.00 par value:			
Authorized 30,000,000 shares;			
Issued 9,706,051, 9,705,551 and 9,705,451 shares, respectively	9,706	9,705	9,705
Class B Common Stock, \$1.00 par value:			
Authorized 10,000,000 shares;			
Issued 3,107,766, 3,088,266 and 3,088,366 shares, respectively	3,107	3,088	3,088
Capital in excess of par value	101,711	101,145	100,681
Retained earnings	80,275	68,495	59,505
Accumulated other comprehensive loss	(26,640)	(27,226)	(32,091)
	168,159	155,207	140,888
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	106,905	93,953	79,634

Total	\$ 1,399,981	\$ 1,364,467	\$ 1,362,608
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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 January 1, 2006	\$ 9,705	\$ 3,068	\$ 99,376	\$ 54,355	\$ (30,116)	\$ (61,254)	\$ 75,134
Comprehensive income:							
Net income				9,702			9,702
Net change in minimum pension liability adjustment, net of tax					(1,975)		(1,975)
Total comprehensive income							7,727
Cash dividends paid Common (\$.50 per share)				(3,322)			(3,322)
Class B Common (\$.50 per share)				(1,230)			(1,230)
Issuance of 20,000 shares of Class B Common Stock		20	840				860
Stock compensation expense			465				465
Balance on July 2, 2006	\$ 9,705	\$ 3,088	\$ 100,681	\$ 59,505	\$ (32,091)	\$ (61,254)	\$ 79,634
Balance on December 31, 2006	\$ 9,705	\$ 3,088	\$ 101,145	\$ 68,495	\$ (27,226)	\$ (61,254)	\$ 93,953
Comprehensive income:							
Net income				16,342			16,342
Foreign currency translation adjustments, net of tax					2		2
Pension and postretirement benefit adjustments, net of tax					584		584

Total comprehensive income								16,928
Cash dividends paid								
Common (\$.50 per share)				(3,322)				(3,322)
Class B Common (\$.50 per share)				(1,240)				(1,240)
Issuance of 20,000 shares of Class B Common Stock		20		(20)				
Stock compensation expense				586				586
Conversion of Class B Common Stock into Common Stock		1		(1)				
Balance on July 1, 2007	\$ 9,706	\$ 3,107	\$ 101,711	\$ 80,275	\$ (26,640)	\$ (61,254)		\$ 106,905

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	
	2007	2006
Cash Flows from Operating Activities		
Net income	\$ 16,342	\$ 9,702
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	33,572	33,572
Amortization of intangibles	223	290
Deferred income taxes	2,023	1,040
(Gains)/losses on disposal of property, plant and equipment	(113)	543
Amortization of debt costs	1,412	1,328
Amortization of deferred gain related to terminated interest rate agreements	(848)	(843)
Stock compensation expense	586	465
Minority interest	1,850	1,705
Increase in current assets less current liabilities	(18,734)	(17,440)
Increase in other noncurrent assets	(645)	(284)
Increase (decrease) in other noncurrent liabilities	(6,486)	3,123
Total adjustments	12,840	23,499
Net cash provided by operating activities	29,182	33,201
Cash Flows from Investing Activities		
Additions to property, plant and equipment	(19,014)	(29,833)
Proceeds from the sale of property, plant and equipment	6,918	837
Investment in plastic bottle manufacturing cooperative	(1,629)	(618)
Other		(222)
Net cash used in investing activities	(13,725)	(29,836)
Cash Flows from Financing Activities		
Payment of current portion of long-term debt		(39)
Payment of lines of credit, net		(6,500)
Cash dividends paid	(4,562)	(4,552)
Principal payments on capital lease obligations	(1,197)	(880)
Other	(372)	(31)
Net cash used in financing activities	(6,131)	(12,002)
Net increase (decrease) in cash	9,326	(8,637)
Cash at beginning of period	61,823	39,608
Cash at end of period	\$ 71,149	\$ 30,971

Significant non-cash investing and financing activities:

Issuance of Class B Common Stock in connection with stock award	\$	929	\$	860
Capital lease obligations incurred		5,144		

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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 31, 2006 filed with the United States Securities and Exchange Commission (SEC).

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

2. Seasonality of Business

Operating results for the second quarter of 2007 (Q2 2007) and the first half of 2007 (YTD 2007) are not indicative of results that may be expected for the fiscal year ending December 30, 2007 because of business seasonality. Business seasonality results primarily from higher 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 finished 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.

Minority interest as of July 1, 2007, December 31, 2006 and July 2, 2006 represents the portion of Piedmont owned by The Coca-Cola Company, which was 22.7% for all periods presented.

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Notes to Consolidated Financial Statements (Unaudited)

4. Inventories

Inventories were summarized as follows:

In Thousands	July 1, 2007	Dec. 31, 2006	July 2, 2006
Finished products	\$40,459	\$32,934	\$38,216
Manufacturing materials	8,685	19,333	9,073
Plastic shells, pallets and other inventories	17,203	14,788	16,643
Total inventories	\$66,347	\$67,055	\$63,932

5. Property, Plant and Equipment

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

In Thousands	July 1, 2007	Dec. 31, 2006	July 2, 2006	Estimated Useful Lives
Land	\$ 12,380	\$ 12,455	\$ 12,605	
Buildings	110,771	110,444	110,854	10-50 years
Machinery and equipment	101,347	100,519	99,519	5-20 years
Transportation equipment	175,837	184,861	174,903	4-13 years
Furniture and fixtures	41,125	39,184	39,291	4-10 years
Cold drink dispensing equipment	327,180	331,174	340,836	6-13 years
Leasehold and land improvements	&n			