

COTT CORP /CN/
Form 10-Q
November 04, 2011
Table of Contents

United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended: October 1, 2011

.. **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: 001-31410

COTT CORPORATION

(Exact name of registrant as specified in its charter)

Edgar Filing: COTT CORP /CN/ - Form 10-Q

<p>CANADA (State or Other Jurisdiction of Incorporation or Organization)</p> <p>6525 VISCOUNT ROAD</p> <p>MISSISSAUGA, ONTARIO</p> <p>5519 WEST IDLEWILD AVE</p> <p>TAMPA, FLORIDA (Address of principal executive offices)</p> <p>Registrant's telephone number, including area code: (905) 672-1900 and (813) 313-1800</p>	<p>98-0154711 (IRS Employer Identification No.)</p> <p>L4V 1H6</p> <p>33634 (Zip Code)</p>
---	--

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 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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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 November 1, 2011
Common Stock, no par value per share	95,101,230 shares

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. <u>Financial Statements (unaudited)</u>	1
<u>Consolidated Statements of Operations</u>	1
<u>Consolidated Balance Sheets</u>	2
<u>Consolidated Statements of Cash Flows</u>	3
<u>Consolidated Statements of Equity</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income</u>	5
<u>Notes to the Consolidated Financial Statements</u>	6

Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	31
<u>Overview</u>	31
<u>Results of Operations</u>	37
<u>Liquidity and Financial Condition</u>	40

Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	44
--	----

Item 4. <u>Controls and Procedures</u>	44
---	----

PART II OTHER INFORMATION 46

Item 1. <u>Legal Proceedings</u>	46
---	----

Item 1A. <u>Risk Factors</u>	46
-------------------------------------	----

Item 6. <u>Exhibits</u>	46
--------------------------------	----

<u>SIGNATURES</u>	47
--------------------------	----

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements
Cott Corporation****Consolidated Statements of Operations***(in millions of U.S. dollars, except share and per share amounts)**Unaudited*

	For the Three Months Ended		For the Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Revenue, net	\$ 611.3	\$ 486.9	\$ 1,785.4	\$ 1,274.5
Cost of sales	543.7	419.8	1,560.2	1,076.7
Gross profit	67.6	67.1	225.2	197.8
Selling, general and administrative expenses	38.1	47.3	128.3	114.2
Loss on disposal of property, plant & equipment	0.5	0.3	0.5	0.4
Restructuring				(0.5)
Operating income	29.0	19.5	96.4	83.7
Other expense, net	1.3	1.3	2.1	3.6
Interest expense, net	14.4	10.3	43.4	22.6
Income before income taxes	13.3	7.9	50.9	57.5
Income tax (benefit) expense	(4.0)	0.7	(1.7)	13.9
Net income	\$ 17.3	\$ 7.2	\$ 52.6	\$ 43.6
Less: Net income attributable to non-controlling interests	1.1	1.4	3.1	4.0
Net income attributed to Cott Corporation	\$ 16.2	\$ 5.8	\$ 49.5	\$ 39.6
Net income per common share attributed to Cott Corporation				
Basic	\$ 0.17	\$ 0.07	\$ 0.53	\$ 0.48
Diluted	\$ 0.17	\$ 0.07	\$ 0.52	\$ 0.47
Weighted average outstanding shares (thousands) attributed to Cott Corporation				
Basic	94,325	87,196	94,179	82,675
Diluted	95,146	88,956	94,899	83,514

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Cott Corporation****Consolidated Balance Sheets***(in millions of U.S. dollars, except share amounts)**Unaudited*

	October 1, 2011	January 1, 2011
ASSETS		
<i>Current assets</i>		
Cash & cash equivalents	\$ 28.2	\$ 48.2
Accounts receivable, net of allowance of \$11.1 (\$8.3 as of January 1, 2011)	247.7	213.6
Income taxes recoverable	12.6	0.3
Inventories	216.0	215.5
Prepaid expenses and other assets	30.3	32.7
Total current assets	534.8	510.3
Property, plant & equipment	483.3	503.8
Goodwill	129.1	130.2
Intangibles and other assets	348.8	371.1
Deferred income taxes	1.9	2.5
Other tax receivable	2.8	11.3
Total assets	\$ 1,500.7	\$ 1,529.2
LIABILITIES AND EQUITY		
<i>Current liabilities</i>		
Short-term borrowings	\$	\$ 7.9
Current maturities of long-term debt	4.3	6.0
Contingent consideration earn-out	8.5	32.2
Accounts payable and accrued liabilities	241.8	276.6
Total current liabilities	254.6	322.7
Long-term debt	602.5	605.5
Deferred income taxes	39.3	43.6
Other long-term liabilities	20.5	22.2
Total liabilities	916.9	994.0
<i>Equity</i>		
Capital stock, no par - 95,101,230 (January 1, 2011 - 94,750,120) shares issued	395.9	395.6
Treasury stock	(2.1)	(3.2)
Additional paid-in-capital	41.9	40.8
Retained earnings	156.0	106.5
Accumulated other comprehensive loss	(21.6)	(17.5)
Total Cott Corporation equity	570.1	522.2
Non-controlling interests	13.7	13.0

Edgar Filing: COTT CORP /CN/ - Form 10-Q

Total equity	583.8	535.2
Total liabilities and equity	\$ 1,500.7	\$ 1,529.2

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Cott Corporation****Consolidated Statements of Cash Flows***(in millions of U.S. dollars)**Unaudited*

	For the Three Months Ended		For the Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Operating Activities				
Net income	\$ 17.3	\$ 7.2	\$ 52.6	\$ 43.6
Depreciation & amortization	24.0	19.1	71.4	49.9
Amortization of financing fees	1.1	0.6	2.9	1.6
Share-based compensation expense	(1.6)	1.1	2.2	2.8
(Decrease) increase in deferred income taxes	(4.2)	9.7	(2.3)	9.6
Write-off of financing fees		1.4		1.4
Loss on disposal of property, plant & equipment	0.5	0.3	0.5	0.4
Gain on buyback of Notes				0.1
Contract termination loss				(0.4)
Contract termination payments	(3.1)	(0.6)	(3.1)	(5.4)
Other non-cash items	(0.1)	0.1	1.7	4.3
Change in operating assets and liabilities:				
Accounts receivable	29.5	17.4	(41.5)	(28.9)
Inventories	23.1	(3.8)	0.4	(20.5)
Prepaid expenses and other assets	2.1	(0.5)	0.9	1.9
Other assets	0.9		0.2	(1.1)
Accounts payable and accrued liabilities	(25.8)	8.3	(22.9)	16.1
Income taxes recoverable	0.2	2.7	(3.4)	27.1
Net cash provided by operating activities	63.9	63.0	59.6	102.5
Investing Activities				
Acquisition	(25.7)	(507.7)	(25.7)	(507.7)
Additions to property, plant & equipment	(8.1)	(11.4)	(31.4)	(29.5)
Additions to intangibles and other assets	(1.4)	(0.2)	(3.9)	(3.6)
Proceeds from sale of property, plant & equipment	0.1	0.5	0.1	0.9
Other investing activities	(0.1)		(1.8)	
Net cash used in investing activities	(35.2)	(518.8)	(62.7)	(539.9)
Financing Activities				
Payments of long-term debt	(1.8)	(1.2)	(5.2)	(17.3)
Issuance of long-term debt		375.0		375.0
Borrowings under ABL	80.7	165.7	224.1	307.7
Payments under ABL	(100.7)	(126.2)	(231.9)	(277.8)
Distributions to non-controlling interests	(1.7)	(2.8)	(4.2)	(5.5)
Issuance of common shares, net of offering fees		71.1		71.1
Exercise of options	0.2		0.3	
Financing fees		(14.0)	(0.1)	(14.2)
Net cash (used in) provided by financing activities	(23.3)	467.6	(17.0)	439.0
Effect of exchange rate changes on cash	(1.2)	0.8	0.1	0.4

Net increase (decrease) in cash & cash equivalents	4.2	12.6	(20.0)	2.0
Cash & cash equivalents, beginning of period	24.0	20.3	48.2	30.9
Cash & cash equivalents, end of period	\$ 28.2	\$ 32.9	\$ 28.2	\$ 32.9

Supplemental Disclosures of Cash Flow information:

Cash paid for interest	\$ 16.2	\$ 1.2	\$ 44.1	\$ 12.8
Cash paid (received) for income taxes, net	\$ 0.2	\$ (10.0)	\$ 4.4	\$ (21.8)

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Cott Corporation****Consolidated Statements of Equity***(in millions of U.S. dollars, except share amounts)**Unaudited*

	Cott Corporation Equity								
	Number of Common Shares <i>(In thousands)</i>	Number of Treasury Shares <i>(In thousands)</i>	Common Shares	Treasury Shares	Additional Paid-in- Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interests	Total Equity
Balance at January 2, 2010	81,331	1,504	\$ 322.5	\$ (4.4)	\$ 37.4	\$ 51.8	\$ (21.3)	\$ 15.3	\$ 401.3
Common shares issued	13,340		71.1						71.1
Treasury shares issued - PSU Plan		(437)		1.2	(1.2)				
Tax impact of common shares issuance			2.0						2.0
Treasury shares issued - EISPP		(1)							
Common shares issued - Directors Share Award	79				0.7				0.7
Share-based compensation					2.2				2.2
Distributions to non-controlling interests								(5.5)	(5.5)
Comprehensive income									
Currency translation adjustment							3.9		3.9
Pension liabilities							0.3		0.3
Net income						39.6		4.0	43.6
Balance at October 2, 2010	94,750	1,066	\$ 395.6	\$ (3.2)	\$ 39.1	\$ 91.4	\$ (17.1)	\$ 13.8	\$ 519.6
Balance at January 1, 2011	94,750	1,051	\$ 395.6	\$ (3.2)	\$ 40.8	\$ 106.5	\$ (17.5)	\$ 13.0	\$ 535.2
Options exercised	275		0.3						0.3
Treasury shares issued - PSU Plan		(181)		0.5	(0.5)				
Treasury shares issued - EISPP		(196)		0.6	(0.6)				
Common shares issued - Directors Share Award	76				0.7				0.7
Share-based compensation					1.5				1.5
Contributions to non-controlling interests									