

COTT CORP /CN/
Form 10-Q
August 09, 2016
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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: July 2, 2016

.. **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)

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

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. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) 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 August 2, 2016
Common Shares, no par value per share	137,860,725 shares

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements (unaudited)****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 Six Months Ended	
	July 2,	July 4,	July 2,	July 4,
	2016	2015	2016	2015
Revenue, net	\$ 765.0	\$ 779.8	\$ 1,463.4	\$ 1,489.6
Cost of sales	512.4	539.2	996.8	1,047.7
Gross profit	252.6	240.6	466.6	441.9
Selling, general and administrative expenses	202.1	190.2	399.1	378.7
Loss on disposal of property, plant & equipment, net	2.2	0.2	3.1	1.6
Acquisition and integration expenses	11.7	4.1	13.1	8.8
Operating income	36.6	46.1	51.3	52.8
Other expense (income), net	3.0	1.0	0.8	(9.4)
Interest expense, net	27.0	27.9	54.8	55.6
Income (loss) before income taxes	6.6	17.2	(4.3)	6.6
Income tax benefit	2.3	1.1	11.3	10.5
Net income	\$ 8.9	\$ 18.3	\$ 7.0	\$ 17.1
Less: Net income attributable to non-controlling interests	1.5	1.7	2.9	3.0
Less: Accumulated dividends on convertible preferred shares		1.8		4.5
Less: Accumulated dividends on non-convertible preferred shares		0.6		1.4
Less: Foreign exchange impact on redemption of preferred shares		12.0		12.0
Net income (loss) attributed to Cott Corporation	\$ 7.4	\$ 2.2	\$ 4.1	\$ (3.8)
Net income (loss) per common share attributed to Cott Corporation				
Basic	\$ 0.06	\$ 0.02	\$ 0.03	\$ (0.04)
Diluted	\$ 0.06	\$ 0.02	\$ 0.03	\$ (0.04)

Weighted average common shares outstanding (in thousands)

Basic	123,239	99,573	118,253	96,384
Diluted	124,180	100,165	119,038	96,384
Dividends declared per share	\$ 0.06	\$ 0.06	\$ 0.12	\$ 0.12

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

Table of Contents**Cott Corporation****Condensed Consolidated Statements of Comprehensive (Loss) Income***(in millions of U.S. dollars)**Unaudited*

	For the Three Months Ended		For the Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Net income	\$ 8.9	\$ 18.3	\$ 7.0	\$ 17.1
Other comprehensive (loss) income:				
Currency translation adjustment	(14.7)	24.6	(17.9)	(1.3)
Pension benefit plan, net of tax	1 0.1	0.4	0.2	0.5
Unrealized gain (loss) on derivative instruments, net of tax	2 2.6	(2.8)	3.1	(2.8)
Total other comprehensive (loss) income	(12.0)	22.2	(14.6)	(3.6)
Comprehensive (loss) income	\$ (3.1)	\$ 40.5	\$ (7.6)	\$ 13.5
Less: Comprehensive income attributable to non-controlling interests	1.5	1.7	2.9	3.0
Less: Accumulated dividends on convertible preferred shares		1.8		4.5
Less: Accumulated dividends on non-convertible preferred shares		0.6		1.4
Less: Foreign exchange impact on redemption of preferred shares		12.0		12.0
Comprehensive (loss) income attributed to Cott Corporation	\$ (4.6)	\$ 24.4	\$ (10.5)	\$ (7.4)

1. Net of the effect of \$0.1 million and \$0.2 million tax benefit for the three and six months ended July 2, 2016, respectively, and net of the effect of \$0.1 million and \$0.2 million tax expense for the three and six months ended July 4, 2015, respectively.
2. Net of the effect of \$1.2 million and \$1.4 million tax benefit for the three and six months ended July 2, 2016, respectively, and net of the effect of \$1.0 million tax benefit for the three and six months ended July 4, 2015.
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*

	July 2, 2016	January 2, 2016
ASSETS		
<i>Current assets</i>		
Cash & cash equivalents	\$ 249.5	\$ 77.1
Restricted cash	503.1	
Accounts receivable, net of allowance of \$7.9 (\$9.2 as of January 2, 2016)	339.5	293.3
Income taxes recoverable	0.9	1.6
Inventories	247.1	249.4
Prepaid expenses and other current assets	24.1	17.2
Total current assets	1,364.2	638.6
Property, plant & equipment, net	770.2	769.8
Goodwill	777.4	759.6
Intangibles and other assets, net	690.4	711.7
Deferred tax assets	12.8	7.6
Total assets	\$ 3,615.0	\$ 2,887.3
LIABILITIES AND EQUITY		
<i>Current liabilities</i>		
Short-term borrowings	\$	\$ 122.0
Current maturities of long-term debt	3.6	3.4
Accounts payable and accrued liabilities	468.0	437.6
Total current liabilities	471.6	563.0
Long-term debt	2,013.3	1,525.4
Deferred tax liabilities	63.7	76.5
Other long-term liabilities	72.5	76.5
Total liabilities	2,621.1	2,241.4
<i>Equity</i>		
Common shares, no par - 137,860,725 (January 2, 2016 - 109,695,435) shares issued	904.9	534.7
Additional paid-in-capital	54.6	51.2
Retained earnings	119.0	129.6
Accumulated other comprehensive loss	(90.8)	(76.2)
Total Cott Corporation equity	987.7	639.3

Non-controlling interests	6.2	6.6
Total equity	993.9	645.9
Total liabilities and equity	\$ 3,615.0	\$ 2,887.3

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 Six Months Ended	
	July 2,	July 4,	July 2,	July 4,
	2016	2015	2016	2015
Operating Activities				
Net income	\$ 8.9	\$ 18.3	\$ 7.0	\$ 17.1
Depreciation & amortization	53.5	58.2	106.0	115.6
Amortization of financing fees	1.3	1.1	2.5	2.4
Amortization of senior notes premium	(1.5)	(1.4)	(2.9)	(2.9)
Share-based compensation expense	3.8	3.7	6.2	6.1
Benefit for deferred income taxes	(2.1)	(5.2)	(12.9)	(16.9)
Loss on disposal of property, plant & equipment, net	2.2	0.2	3.1	1.6
Other non-cash items	2.6	(6.3)	0.9	(16.5)
Change in operating assets and liabilities, net of acquisitions:				
Accounts receivable	(25.7)	(19.4)	(47.4)	(60.7)
Inventories	4.6	6.1	1.3	(4.9)
Prepaid expenses and other current assets	(3.4)	(4.5)	(7.8)	25.8
Other assets	(1.2)	(1.3)	1.2	(3.7)
Accounts payable and accrued liabilities, and other liabilities	44.6	25.2	14.6	10.0
Income taxes recoverable		1.0	(2.9)	1.6
Net cash provided by operating activities	87.6	75.7	68.9	74.6
Investing Activities				
Acquisitions, net of cash received	(1.8)	(0.5)	(46.2)	(0.5)
Additions to property, plant & equipment	(33.2)	(29.9)	(62.7)	(57.2)
Additions to intangibles and other assets	(1.0)	(0.1)	(3.3)	(2.2)
Proceeds from sale of property, plant & equipment and sale-leaseback	0.2	40.1	2.9	40.5
Increase in restricted cash	(2.8)		(2.8)	