

MOLSON COORS BREWING CO
Form 10-Q
August 03, 2011

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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
EXCHANGE ACT OF 1934**

For the Quarterly period ended June 25, 2011

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: 1-14829

Molson Coors Brewing Company

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

84-0178360

(I.R.S. Employer Identification No.)

1225 17th Street, Denver, Colorado, USA

1555 Notre Dame Street East, Montréal, Québec, Canada

(Address of principal executive offices)

80202

H2L 2R5

(Zip Code)

303-927-2337 (Colorado)

514-521-1786 (Québec)

(Registrant's telephone number, including area code)

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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) 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 checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>
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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 registrant's classes of common stock, as of July 28, 2011:

Class A Common Stock 2,583,694 shares
Class B Common Stock 162,501,561 shares

Exchangeable shares:

As of July 28, 2011, the following number of exchangeable shares was outstanding for Molson Coors Canada, Inc.:

Class A Exchangeable shares 2,939,708 shares
Class B Exchangeable shares 19,261,002 shares

These Class A and Class B exchangeable shares offer substantially the same economic and voting rights as the respective classes of common shares of the registrant. This is achieved via the following structure: The registrant has outstanding one share of special Class A voting stock, through which the holders of Class A exchangeable shares and Class B exchangeable shares of Molson Coors Canada Inc. (a subsidiary of the registrant), respectively, may exercise their voting rights with respect to the registrant. The special Class A and Class B voting stock are entitled to one vote for each of the exchangeable share classes, respectively, excluding shares held by the registrant or its subsidiaries, and generally vote together with the Class A common stock and Class B common stock, respectively, on all matters on which the Class A common stock and Class B common stock are entitled to vote. The trustee holder of the special Class A voting stock and the special Class B voting stock has the right to cast a number of votes equal to the number of then outstanding Class A exchangeable shares and Class B exchangeable shares, respectively.

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MOLSON COORS BREWING COMPANY AND SUBSIDIARIES

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Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). From time to time, we may also provide oral or written forward-looking statements in other materials we release to the public. Such forward-looking statements are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995.

Statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements, and include, but are not limited to, statements under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Outlook for 2011" relating to overall volume trends, consumer preferences, pricing trends, industry forces, cost reduction strategies, anticipated results, anticipated synergies, expectations for funding future capital expenditures and operations, debt service capabilities, shipment levels and profitability, market share and the sufficiency of capital resources. In addition, statements that we make in this report that are not statements of historical fact may also be forward-looking statements. Words such as "expects," "goals," "plans," "believes," "continues," "may," "anticipate," "seek," "estimate," "outlook," "trends," "future benefits," "strategies," and variations of such words and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are subject to risks and uncertainties that could cause actual results to be materially different from those indicated (both favorably and unfavorably). These risks and uncertainties include, but are not limited to those described under the heading "Risk Factors," elsewhere throughout this report, and those described from time to time in our future reports filed with the Securities and Exchange Commission, including in our Form 10-K for the year ended December 25, 2010. Caution should be taken not to place undue reliance on any such forward-looking statements. Forward-looking statements speak only as of the date when made and we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

MOLSON COORS BREWING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN MILLIONS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 25, 2011	June 26, 2010	June 25, 2011	June 26, 2010
Sales	\$ 1,383.1	\$ 1,282.6	\$ 2,380.4	\$ 2,229.6
Excise taxes	(449.5)	(399.3)	(756.4)	(685.3)
Net sales	933.6	883.3	1,624.0	1,544.3
Cost of goods sold	(523.9)	(474.8)	(951.1)	(879.2)
Gross profit	409.7	408.5	672.9	665.1
Marketing, general and administrative expenses	(272.5)	(261.2)	(510.9)	(498.7)
Special items, net	(11.0)	(15.8)	(11.0)	(18.4)
Equity income in MillerCoors	171.8	163.6	273.0	254.6
Operating income (loss)	298.0	295.1	424.0	402.6
Interest income (expense), net	(27.7)	(25.4)	(54.5)	(49.8)
Other income (expense), net	(1.8)	21.4	(2.5)	12.8
Income (loss) from continuing operations before income taxes	268.5	291.1	367.0	365.6
Income tax benefit (expense)	(43.2)	(52.2)	(59.3)	(63.9)
Net Income (loss) from continuing operations	225.3	238.9	307.7	301.7
Income (loss) from discontinued operations, net of tax	(1.5)	(0.6)	(1.2)	42.0
Net income (loss) including noncontrolling interests	223.8	238.3	306.5	343.7
Less: Net (income) loss attributable to noncontrolling interests	(1.0)	(1.1)	(0.8)	(1.9)
Net income (loss) attributable to Molson Coors Brewing Company	\$ 222.8	\$ 237.2	\$ 305.7	\$ 341.8
Basic net income (loss) attributable to Molson Coors Brewing Company per share:				
From continuing operations	\$ 1.20	\$ 1.28	\$ 1.64	\$ 1.61
From discontinued operations	(0.01)		(0.01)	0.23
Basic net income per share	\$ 1.19	\$ 1.28	\$ 1.63	\$ 1.84
Diluted net income (loss) attributable to Molson Coors Brewing Company per share:				
From continuing operations	\$ 1.19	\$ 1.27	\$ 1.63	\$ 1.60
From discontinued operations	(0.01)		(0.01)	0.23
Diluted net income per share	\$ 1.18	\$ 1.27	\$ 1.62	\$ 1.83

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Weighted average shares basic	187.1	185.7	187.0	185.6
Weighted average shares diluted	188.8	187.4	188.8	187.2
Amounts attributable to Molson Coors Brewing Company				
Net income (loss) from continuing operations	\$ 224.3	\$ 237.8	\$ 306.9	\$ 299.8
Income (loss) from discontinued operations, net of tax	(1.5)	(0.6)	(1.2)	42.0
Net income (loss) attributable to Molson Coors Brewing Company	\$ 222.8	\$ 237.2	\$ 305.7	\$ 341.8

See notes to unaudited condensed consolidated financial statements.

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	June 25, 2011	As of December 25, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,184.2	\$ 1,217.6
Accounts receivable, net	629.6	570.8
Other receivables, net	224.2	158.7
Inventories:		
Finished, net	159.3	134.3
In process	18.7	16.6
Raw materials	35.8	32.1
Packaging materials, net	9.4	12.0
Total inventories, net	223.2	195.0
Other assets, net	102.9	78.2
Deferred tax assets	0.3	
Discontinued operations	0.3	0.6
Total current assets	2,364.7	2,220.9
Properties, net	1,407.9	1,388.7
Goodwill	1,553.8	1,489.1
Other intangibles, net	4,754.5	4,655.1
Investment in MillerCoors	2,680.0	2,574.1
Deferred tax assets	170.5	188.2
Notes receivable, net	42.4	43.0
Other assets	130.3	138.5
Total assets	\$ 13,104.1	\$ 12,697.6
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 229.5	\$ 268.2
Accrued expenses and other liabilities	853.4	804.6
Derivative hedging instruments	451.5	26.4
Deferred tax liabilities	248.4	219.6
Current portion of long-term debt and short-term borrowings	50.4	1.1
Discontinued operations	14.6	14.0
Total current liabilities	1,847.8	1,333.9
Long-term debt	1,951.1	1,959.6
Pension and post-retirement benefits	463.9	458.6
Derivative hedging instruments	4.7	404.8
Deferred tax liabilities	416.8	466.7
Unrecognized tax benefits	82.2	80.8
Other liabilities	125.4	126.4
Discontinued operations	25.5	24.2
Total liabilities	4,917.4	4,855.0
Commitments and contingencies (Note 15)		

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Molson Coors Brewing Company stockholders' equity

Capital stock:		
Preferred stock, non-voting, no par value (authorized: 25.0 shares; none issued)		
Class A common stock, voting, \$0.01 par value per share (authorized: 500.0 shares; issued and outstanding: 2.6 shares and 2.6 shares at June 25, 2011 and December 25, 2010, respectively)		
Class B common stock, non-voting, \$0.01 par value per share (authorized: 500.0 shares; issued and outstanding: 162.4 shares and 162.0 shares at June 25, 2011 and December 25, 2010, respectively)		
	1.6	1.6
Class A exchangeable shares, no par value (issued and outstanding: 2.9 shares and 3.0 shares at June 25, 2011 and December 25, 2010, respectively)		
	110.5	111.2
Class B exchangeable shares, no par value (issued and outstanding: 19.3 shares and 19.2 shares at June 25, 2011 and December 25, 2010, respectively)		
	725.7	725.0
Paid-in capital		
	3,562.0	3,548.4
Retained earnings		
	3,435.1	3,241.5
Accumulated other comprehensive income		
	308.9	171.1
Total Molson Coors Brewing Company stockholders' equity		
	8,143.8	7,798.8
Noncontrolling interests		
	42.9	43.8