

MOLSON COORS BREWING CO

FORM 10-Q (Quarterly Report)

Filed 5/15/1996 For Period Ending 3/31/1996

Address	P.O. BOX 4030, MAIL #NH375 GOLDEN, Colorado 80401
Telephone	303-277-3271
CIK	0000024545
Industry	Beverages (Alcoholic)
Sector	Consumer/Non-Cyclical
Fiscal Year	12/28

U.S. 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 Quarter ended March 31, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

Commission file number 0-8251

ADOLPH COORS COMPANY

(Exact name of registrant as specified in its charter)

COLORADO
(State or other jurisdiction of
No.) incorporation or organization)

84-0178360
(I.R.S. Employer Identification
No.)

Golden, Colorado 80401
(Address of principal executive offices) (Zip Code)

303-279-6565
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class Name of each exchange on which registered
None None

Securities registered pursuant to Section 12(g) of the Act:

Class B Common Stock (non-voting), no par value
(Title of class)

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

State the aggregate market value of the voting stock held by non-affiliates of the registrant: All voting shares are held by Adolph Coors, Jr. Trust.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of May 13, 1996:

Class A Common Stock - 1,260,000 shares Class B Common Stock - 36,751,976 shares

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ADOLPH COORS COMPANY AND SUBSIDIARIES CONSOLIDATED STATEMENT OF INCOME

	Thirteen weeks ended	
	March 31, 1996	March 26, 1995
	-----	-----
	(In thousands, except per share data)	
SALES	\$ 448,428	\$ 429,510
Less - federal and state excise taxes	(79,699)	(81,117)
	-----	-----
NET SALES	368,729	348,393
	-----	-----
Costs and expenses:		
Cost of goods sold	260,777	236,964
Marketing, general and administrative	108,112	107,354
Research and project development	2,363	3,599
	-----	-----
Total operating expenses	371,252	347,917
	-----	-----
OPERATING INCOME (LOSS)	(2,523)	476
Other income (expense) - net	(2,584)	(2,041)
	-----	-----
Income (loss) before income taxes	(5,107)	(1,565)
Income tax expense (benefit)	(2,100)	(648)
	-----	-----
NET INCOME (LOSS)	(\$ 3,007)	(\$ 917)
	=====	=====
NET INCOME (LOSS) PER SHARE OF COMMON STOCK	(\$ 0.08)	(\$ 0.02)
	=====	=====
Weighted average number of outstanding shares of common stock	38,012	38,328
	=====	=====
Cash dividends declared and paid per share of common stock	\$ 0.125	\$ 0.125
	=====	=====

ADOLPH COORS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	March 31, 1996	December 31, 1995
	-----	-----
	(In thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 16,245	\$ 32,386
Accounts and notes receivable	118,088	116,755
Inventories:		
Finished	50,633	58,486
In process	28,010	28,787
Raw materials	26,982	37,298
Packaging materials	17,545	14,854
	-----	-----
Total inventories	123,170	139,425
Other assets	68,745	73,954
	-----	-----
Total current assets	326,248	362,520
	-----	-----
PROPERTIES, at cost, less accumulated depreciation, depletion and amortization of \$1,244,941 in 1996 and \$1,219,473 in 1995	876,250	887,409
OTHER ASSETS	138,500	136,928
	-----	-----
TOTAL ASSETS	\$ 1,340,998	\$ 1,386,857
	=====	=====

ADOLPH COORS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	March 31, 1996	December 31, 1995
	-----	-----
	(In thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 36,000	\$ 36,000
Accounts payable	125,878	132,349
Accrued expenses and other liabilities	124,598	155,314
	-----	-----
Total current liabilities	286,476	323,663
	-----	-----
LONG-TERM DEBT	195,000	195,000
DEFERRED TAX LIABILITY	69,190	69,916
OTHER LONG-TERM LIABILITIES	103,307	103,262
	-----	-----
Total liabilities	653,973	691,841
	-----	-----
SHAREHOLDERS' EQUITY:		
Capital stock:		
Preferred stock, non-voting, \$1 par value (authorized: 25,000,000 shares; issued: none)	--	--
Class A common stock, voting, \$1 par value (authorized and issued: 1,260,000 shares)	1,260	1,260
Class B common stock, non-voting, no par value, \$0.24 stated value (authorized: 100,000,000 shares; issued: 36,753,476 in 1996 and 36,736,512 in 1995)	8,751	8,747
	-----	-----
Total capital stock	10,011	10,007
Paid-in capital	34,003	33,719
Retained earnings	639,799	647,530
Foreign currency translation adjustment	3,212	3,760
	-----	-----
Total shareholders' equity	687,025	695,016
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,340,998	\$ 1,386,857
	=====	=====

ADOLPH COORS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	For the thirteen weeks ended	
	March 31, 1996	March 26, 1995
	----- (In thousands) -----	
Cash flows from operating activities:		
Net income (loss)	(\$ 3,007)	(\$ 917)
Adjustments to reconcile net income (loss) to net cash (used) provided by operating activities:		
Depreciation, depletion and amortization	28,905	30,179
Change in accumulated deferred income taxes	(726)	2,089
(Gain) loss on sale or abandonment of properties	1,528	(1,959)
Change in current assets and current liabilities	(18,437)	(55,813)
Change in non-current liabilities and other	(1,886)	(975)
	-----	-----
Net cash (used) provided by operating activities	6,377	(27,396)
	-----	-----
Cash flows from investing activities:		
Additions to properties	(20,459)	(32,573)
Proceeds from sale of properties	1,523	2,492
Other	1,429	(938)
	-----	-----
Net cash used in investing activities	(17,507)	(31,019)
	-----	-----
Cash flows from financing activities:		
Issuance of stock under stock plans	287	31
Dividends paid	(4,751)	(4,791)
Short-term borrowings	--	44,500
	-----	-----
Net cash (used) provided by financing activities	(4,464)	39,740
	-----	-----
Cash and cash equivalents:		
Net decrease in cash and cash equivalents	(15,594)	(18,675)
Effect of exchange rate changes on cash and cash equivalents	(547)	87
Balance at beginning of year	32,386	27,168
	-----	-----
Balance at end of quarter	\$ 16,245	\$ 8,580
	=====	=====

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Quarterly Calendar Change:

In 1996, Adolph Coors Company (ACC or the Company) changed its reporting calendar to a 12-period fiscal year from the 13-period fiscal year that was used in 1995 and prior years. The 1996 fiscal year is composed of four 13-week quarters. The 1995 fiscal year, prior to restatement, was composed of a 12-week first quarter, a 12-week second quarter, a 16-week third quarter and a 13-week fourth quarter. After restatement, the first, second and third quarters of 1995 were 13-weeks and the fourth quarter of 1995 was 14-weeks. The principal reason for the change was to create fiscal quarters that are similar to a calendar year and thus more comparable to the reporting practices of other consumer-product companies. The 1995 financial information has been restated to conform with 1996 presentation. The restatement of the Consolidated Income Statements for the four individual quarters of 1995 is included as a part of this filing.

Sales and Volume:

The Company reported net sales of \$368.7 million for the first quarter of 1996, a 5.8% increase from the same period a year earlier. ACC's principal subsidiary, Coors Brewing Company (CBC), reported malt beverage sales of 4,273,000 barrels in the first quarter of 1996, compared to 4,250,000 barrels sold in the first quarter of 1995, an increase of 0.5%. The 1996 net sales increase was primarily due to price increases which occurred in the fourth quarter of 1995 and the first quarter of 1996. Also contributing to increased net sales were lower price promotions and proportionally higher export sales, which offer greater net revenue per barrel than domestic volume.

Gross Profit:

Gross profit decreased \$3.5 million, or 3.1%, for the first quarter of 1996 compared to the first quarter of 1995. Gross profit as a percent of net sales decreased to 29.3% in the first quarter of 1996 from 32.0% a year earlier. The decline in gross profit for the first quarter of 1996 was primarily the result of an increase in cost of goods sold related to one-time costs associated with depleting and abandoning old packaging inventories and preparation of the Company's operations for the summer season. The costs of preparing for the peak summer season included costs of new brands and packages, packaging equipment overhauls and the abandonment of certain equipment in the Company's container operations. Additionally, gross profit was lower because of increases in utilities and costs of paper packaging, primarily corrugated.

Operating Income:

The Company reported an operating loss of \$2.5 million in the first quarter of 1996 compared to operating income of \$0.5 million a year earlier. The decrease in operating income was primarily the result of lower gross profit.

Marketing, general and administrative expenses increased \$0.8 million over the first quarter of 1995. While total marketing expenses decreased slightly, the mix of spending reflected a shift to Original Coors and Coors Light from Zima, Artic Ice and Artic Ice Light. Selling expenses increased in the first quarter of 1996 compared to the first quarter of 1995 primarily because of increased field sales staffing, training and on-premise business development. Other general and administrative expenses for the first quarter of 1996 were substantially unchanged compared to a year earlier. Research and project development expenses decreased \$1.2 million or 34% compared to the first quarter of 1995 due to a planned reduction in project development expense for facilities and equipment. First quarter 1996, expense for the research of new products, packages and other materials was unchanged from a year earlier.

Non-Operating Expenses:

Net interest expense increased \$0.9, or 42%, compared to the first quarter of 1995. The increase in interest expense was primarily due to a \$56-million net increase in long-term debt that was the result of a \$100-million private placement of Senior Notes and a \$44-million scheduled principal payment on the Company's medium-term notes. Both transactions occurred in the third quarter of 1995.

Effective Tax Rate:

The consolidated effective tax rate for the first quarter of 1996 was 41.1% compared to 41.4% for the same period in 1995.

Net Income:

The consolidated net loss for the first quarter of 1996 was \$3.0 million (\$0.08 per share) compared to \$0.9 million loss (\$0.02 per share) a year earlier.

Working Capital Changes:

Consolidated working capital at March 31, 1996, increased \$0.9 million from year-end 1995, primarily because of a \$30.7 million decrease in accounts payable and accrued expenses. These decreases were largely offset by a reduction in inventories that was caused by seasonal decreases in finished goods and raw materials (primarily barley). The reductions in accounts payable and accrued expenses reflect seasonal decreases in year-end vendor payables as well as a contribution to the Company's retirement plan.

Cash (Used) Provided by Operating Activities:

Net cash provided by operating activities for the first quarter of 1996 was \$6.4 million compared to \$27.4 million of net cash used in operating activities in 1995. The principal difference between the two time periods was the greater use of cash in the first quarter of 1995 to pay accounts payable outstanding at the end of 1994. Accounts payable were unusually high at the end of 1994 due to amounts owed to advertising agencies and the American National Can joint venture.

Cash Used in Investing Activities:

Property additions in the first quarter of 1996 declined \$12.1 million to \$20.5 million compared to the same period a year ago. The decrease reflects the impact of lower 1996 annual planned capital expenditures (including contributions to the container joint ventures for capital improvements) of approximately \$100 million compared with annual capital expenditures of \$145.8 million in 1995. The expected decrease for 1996 is the result of the completion of several plant capacity projects in 1995 and reflects the Company's intention to manage capital

expenditures and cash more aggressively through a variety of means, including asset sales, lease financing and joint ventures. In addition to the Company's 1996 planned capital expenditures, strategic investments will be considered on a case-by-case basis.

Cash (Used) Provided by Financing Activities:

The principal financing activity in the first quarter of 1996 was \$4.8 million of dividends paid to shareholders. A similar amount was paid to shareholders in the first quarter of 1995. The 1995 financing activities also included \$44.5 million in short-term borrowings under ACC's line of credit and were primarily used to reduce accounts payable.

Significant Events:

In connection with its pending legal proceedings with Molson Breweries of Canada Limited, the Company received a cash payment for past due royalties and interest totaling \$5.7 million (net of \$0.6 million of withholding taxes) during the first quarter of 1996. The obligation of Molson to make this payment will be a subject of the arbitration proceedings that are scheduled to begin in May 1996. The Company expects final resolution of this issue in 1996.

Outlook:

The first quarter, with historically lower volume, has not generally been a good indicator of annual results. The second and third quarters, which include the peak summer volume months, traditionally generate the greatest share of the Company's annual operating income. Therefore, as previously disclosed, the Company believes 1996 annual financial performance can improve over 1995. In order to improve its financial performance, the Company must increase premium beverage volume, achieve modest price increases for its products and reduce its overall cost structure.

Consistent with industry pricing trends, the Company raised prices in most of its U.S. markets in the fourth quarter of 1995 and the first quarter of 1996. Although the Company continues to believe that industry prices will more closely track inflation in 1996, it cannot predict the degree to which pricing will be eroded by discounting or the impact that higher prices will have on total volume or consumers trading down to lower-margin products.

Trends early in 1996 indicate that packaging and commodities costs will be stable. Additionally, benefits are expected from 1995 cost structure improvements that included outsourcing, certain restructuring efforts, selected payroll-related changes and additional container efficiencies.

Total annual interest expense in 1996 is expected to be higher than in 1995 as a result of the \$100-million private placement of Senior Notes that closed in July 1995.

Cautionary Statement:

The "Outlook" section of this report contains "forward-looking statements" within the meaning of the federal securities laws. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by the statements. The most important factors that could prevent the Company from achieving its goals - and cause actual results to differ materially from those expressed in forward-looking statements - include, but are not limited to the following:

- the ability of the Company and its distributors to develop and execute effective marketing and sales strategies for Coors products -- the potential erosion of recent price increases through discounting -- a potential shift in consumer preferences toward lower-priced products in response to price increases
- changes in the cost of aluminum, paper packaging and other raw materials
- an inability to reduce the Company's manufacturing and overhead cost structure to a more competitive level.

These and other risks and uncertainties affecting the Company are discussed in greater detail in the Company's 1995 Form 10-K filed with the Securities and Exchange Commission.

These statements should be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 1995. The accompanying financial statements have not been examined by the Company's independent accountants in accordance with generally accepted auditing standards, but in the opinion of management of Adolph Coors Company, such financial statements include all adjustments necessary to present fairly the Company's financial position and results of operations. The results of operations for the 13 weeks ended March 31, 1996, may not be indicative of results that may be expected for the year ending December 29, 1996.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 5. Other Information

**ADOLPH COORS COMPANY AND SUBSIDIARIES
SUMMARY OF OPERATIONS RESTATED FOR 1995**

	Thirteen Wks Ended	Thirteen Wks Ended	Thirteen Wks Ended	Fourteen Wks Ended	Fifty-three Wks Ended
	March 26, 1995	June 25, 1995	Sept 24, 1995	Dec 31, 1995	Dec 31, 1995
(In thousands, except per share data)					
Barrels of malt beverages sold	4,250	5,542	5,540	4,980	20,312
SALES	\$ 429,510	\$ 562,550	\$ 559,946	\$ 508,589	\$ 2,060,595
Less: federal and state excise taxes	(81,117)	(105,110)	(104,594)	(94,395)	(385,216)
NET SALES	348,393	457,440	455,352	414,194	1,675,379
Costs and expenses:					
Cost of goods sold	236,964	282,964	289,095	282,740	1,091,763
Marketing, general and admin	107,354	132,591	133,031	130,527	503,503
Research and project development	3,599	3,653	3,802	4,331	15,385
Special credit	--	--	--	(15,200)	(15,200)
Total operating expenses	347,917	419,208	425,928	402,398	1,595,451
OPERATING INCOME	476	38,232	29,424	11,796	79,928
Other income (expense)-net	(2,041)	(1,340)	(1,706)	(1,563)	(6,650)
Income (loss) before income taxes	(1,565)	36,892	27,718	10,233	73,278
Income tax expense (benefit)	(648)	15,448	11,226	4,074	30,100
NET INCOME (LOSS)	(\$ 917)	\$ 21,444	\$ 16,492	\$ 6,159	\$ 43,178
NET INCOME (LOSS) PER SHARE OF COMMON STOCK	(\$ 0.02)	\$ 0.56	\$ 0.43	\$ 0.16	\$ 1.13
Weighted average number of outstand- ing shares of common stock	38,328	38,352	38,115	37,925	38,170
Cash dividends declared and paid per share of common stock	\$ 0.125	\$ 0.125	\$ 0.125	\$ 0.125	\$ 0.500

Item 6. Exhibits and Reports on Form 8-K.

(b) Reports on Form 8-K

None.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ADOLPH COORS COMPANY

By /s/ Timothy V. Wolf

Timothy V. Wolf
Vice President, Treasurer,
Chief Financial Officer
(Principal Financial Officer)
(Principal Accounting Officer)

May 14, 1996

ARTICLE 5

CIK: 0000024545

NAME: ADOLPH COORS COMPANY

MULTIPLIER: 1,000

CURRENCY: US DOLLAR

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 29 1996
PERIOD START	JAN 01 1996
PERIOD END	MAR 31 1996
EXCHANGE RATE	1
CASH	16245
SECURITIES	0
RECEIVABLES	118088
ALLOWANCES	0
INVENTORY	123170
CURRENT ASSETS	326248
PP&E	876250
DEPRECIATION	0
TOTAL ASSETS	1340998
CURRENT LIABILITIES	286476
BONDS	195000
COMMON	10011
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	687025
TOTAL LIABILITY AND EQUITY	1340998
SALES	368729
TOTAL REVENUES	368729
CGS	260777
TOTAL COSTS	371252
OTHER EXPENSES	2584
LOSS PROVISION	0
INTEREST EXPENSE	0
INCOME PRETAX	(5107)
INCOME TAX	2100
INCOME CONTINUING	(3007)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(3007)
EPS PRIMARY	(0.08)
EPS DILUTED	(0.08)

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