

# MOLSON COORS BREWING CO

## FORM 10-Q (Quarterly Report)

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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 20, 1994

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  
incorporation or organization)

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

Golden, Colorado  
(Address of principal executive offices)

80401  
(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 April 25, 1994:

Class A Common Stock - 1,260,000 shares Class B Common Stock - 37,019,044 shares

# PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

### ADOLPH COORS COMPANY AND SUBSIDIARIES CONSOLIDATED STATEMENT OF INCOME

	Twelve weeks ended	
	March 20, 1994	March 21, 1993
	-----	
	(In thousands, except per share data)	
SALES	\$ 390,247	\$ 365,376
Less - beer excise taxes	( 71,794)	( 69,393)
	-----	
NET SALES	318,453	295,983
	-----	
Costs and expenses:		
Cost of goods sold	211,252	198,905
Marketing, general and administrative	92,926	82,747
Research and project development	2,197	2,602
	-----	
Total operating expenses	306,375	284,254
	-----	
OPERATING INCOME	12,078	11,729
	-----	
Other income (expense) - net	156	( 3,374)
	-----	
Income before income taxes	12,234	8,355
	-----	
Income tax expense	5,300	3,700
	-----	
NET INCOME	\$ 6,934	\$ 4,655
	=====	
	-----	
NET INCOME PER SHARE OF COMMON STOCK	\$ 0.18	\$ 0.12
	=====	
Weighted average number of outstanding shares of common stock	38,215	37,749
	=====	
Cash dividends declared and paid per share of common stock	\$ 0.125	\$ 0.125
	=====	

/TABLE

ADOLPH COORS COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET

	March 20, 1994	December 26, 1993
	-----	-----
	(In thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 73,288	\$ 82,211
Accounts and notes receivable	81,850	75,967
Inventories:		
Finished	60,362	56,878
In process	30,490	24,402
Raw materials	46,952	56,370
Packaging materials	14,770	9,581
	-----	-----
Total inventories	152,574	147,231
Other assets	75,078	78,339
	-----	-----
Total current assets	382,790	383,748
	-----	-----
PROPERTIES, at cost, less accumulated depreciation, depletion and amortiza- tion of \$1,139,593 in 1994 and \$1,118,292 in 1993	876,655	884,102
OTHER ASSETS	82,608	83,094
	-----	-----
TOTAL ASSETS	\$1,342,053	\$1,350,944
	=====	=====

/TABLE

ADOLPH COORS COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET

	March 20, 1994	December 26, 1993
	-----	-----
	(In thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 50,000	\$ 50,000
Accounts payable	81,598	121,376
Federal and state income taxes	10,046	4,157
Accrued expenses and other liabilities	229,341	201,018
	-----	-----
Total current liabilities	370,985	376,551
	-----	-----
LONG-TERM DEBT	175,000	175,000
	-----	-----
DEFERRED TAX LIABILITY	51,868	53,430
	-----	-----
OTHER LONG-TERM LIABILITIES	109,209	114,036
	-----	-----
Total liabilities	707,062	719,017
	-----	-----
SHAREHOLDERS' EQUITY:		
Capital stock:		
Preferred stock, non-voting, \$1 par value, 25,000,000 shares authorized and no shares issued	--	--
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, 100,000,000 authorized and 46,200,000 shares issued	11,000	11,000
	-----	-----
	12,260	12,260
Paid-in capital	55,717	54,928
Retained earnings	586,599	584,444
Other	40	40
	-----	-----
	654,616	651,672
	-----	-----
Less - treasury stock, at cost, Class B shares, 9,205,189 in 1994 and 9,260,779 in 1993	19,625	19,745
	-----	-----
Total shareholders' equity	634,991	631,927
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,342,053	\$1,350,944
	=====	=====

/TABLE

ADOLPH COORS COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS

	For the twelve weeks ended	
	March 20, 1994	March 21, 1993
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ 6,934	\$ 4,655
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	27,078	27,115
Change in accumulated deferred income taxes	( 1,562)	330
(Gain) Loss on sale or abandonment of properties	( 616)	954
Change in current assets and current liabilities	( 13,432)	( 7,626)
Change in non-current liabilities and other	( 4,629)	2,601
Net cash provided by operating activities	13,773	28,029
Cash flows from investing activities:		
Additions to properties	( 20,727)	( 24,270)
Proceeds from sale of properties	1,719	74
Other	182	29
Net cash (used in) investing activities	( 18,826)	( 24,167)
Cash flows from financing activities:		
Exercise of stock options, net of related notes receivable	909	708
Dividends paid	( 4,779)	( 4,718)
Other	--	( 11)
Net cash (used in) financing activities	( 3,870)	( 4,021)
Cash and cash equivalents:		
Net increase (decrease) in cash and cash equivalents	( 8,923)	( 159)
Balance at beginning of year	82,211	39,669
Balance at end of quarter	\$ 73,288	\$ 39,510

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

### Sales and Volume:

Adolph Coors Company (ACC) reported net sales of \$318.5 million for the first quarter of 1994 which represents a 7.6% increase from the comparable period in the prior year. ACC's single direct subsidiary, Coors Brewing Company (CBC), had malt beverage sales of 3,907,000 barrels in the first quarter of 1994 compared to 3,742,000 barrels sold in the first quarter of 1993, an increase of 4.4%. The improved sales volume resulted from increased sales of Coors Light and Killian's Irish Red, and the national expansion of Zima (TM) Clearmalt(TM). New product introductions for the quarter included the distribution of Coors Artic Ice (TM) into nine lead markets and the nationwide introduction of Eisbock, a full-bodied spring seasonal beer.

### Gross Profit:

Gross profit as a percentage of net sales for the first quarter of 1994 improved to 33.7% from 32.8% for the same period a year earlier. These improvements were primarily a result of increased volume, operational efficiencies, shop floor performance initiatives and lower aluminum costs.

### Operating Income:

Operating income for the first quarter increased 3.0% to \$12.1 million compared to \$11.7 million for the first quarter of 1993. Higher operating income was the result of sales volume increases offset in part by increased marketing, general and administrative expenses of 12.3% for the first quarter. The increase in marketing, general and administrative expense was primarily because of marketing spending in support of Zima Clearmalt's national rollout and the introductions of Coors Artic Ice and Eisbock.

### Non-Operating Expenses:

Other (income) expense-net changed significantly to \$0.2 million income in the first quarter of 1994 from \$3.4 million expense for the first

quarter of 1993. The primary contributor to this change was a one-time, pre-tax gain of approximately \$2.1 million on the sale of a company-owned distributorship. Additionally, first quarter 1994 royalty income and net interest expense were improved over a year ago. Net interest expense declined from \$3.5 million in the first quarter of 1993 to \$3.0 million in the first quarter of 1994 due to higher interest income and higher capitalized interest.

**Effective Tax Rate:**

The consolidated effective tax rate for the first quarter decreased to 43.3% compared to 44.3% for the same period of 1993. The decrease is primarily due to higher pre-tax income relative to smaller increases of non-deductible expenses and losses. Further offsetting the effective tax rate decrease was the 1993 federal income tax rate increase from 34% to 35% which was not yet in effect during the first quarter of last year.

**Net Income:**

Consolidated net income for the first quarter was \$6.9 million, or \$0.18 per share compared to \$4.7 million, or \$0.12 per share a year earlier.

**Working Capital Changes:**

Consolidated working capital at March 20, 1994 increased \$4.6 million from year-end 1993, primarily because of seasonal increases in both accounts receivable and inventories and a decrease in accounts payable. These changes were offset by an increase in federal and state income taxes and accrued expenses and other liabilities. Accrued expenses were higher due to deferred advertising increases. Higher taxes payable was due to the timing of tax payments and improved first quarter pre-tax income.

**Cash Provided by Operating Activities:**

Net cash provided by consolidated operating activities for the first quarter of 1994 was \$13.8 million, down from \$28.0 million for the same period a year ago. This decrease resulted primarily from the increases in accounts receivable and inventories, plus a decrease in current liabilities, deferred taxes and other long-term liabilities.

**Cash Used in Investing Activities:**

Cash flows used in investing activities for the first quarter of 1994 decreased by \$5.3 million from the comparable period last year because of lower property additions and higher proceeds from sale of properties in 1994.

**Cash Used in Financing Activities:**

Cash flows used in financing activities were relatively unchanged from the same period a year ago. The principal activity was dividends paid to shareholders.

**Outlook:**

The Company expects continued pricing pressure and minimal industry growth for 1994. CBC volume and net sales are expected to increase due to the growth of Coors Light and Zima's national expansion. Marketing expenditures are also expected to increase over the same period a year ago due to the Zima expansion and the introductions of new products including Coors Artic Ice and Eisbock.

At the end of March, CBC finalized the purchase of a 500,000 barrel brewery in Zaragoza, Spain from El Aguila S.A. of Madrid, Spain. The purchase will allow Coors to begin production of beers in Europe, reducing CBC's reliance on exports for European sales. The total investment by CBC in the Spanish brewery during the next five years is expected to exceed \$50 million, including purchase price and future spending on operations and product marketing. Coors Extra Gold will be brewed in this facility for distribution initially in Spain and later for other European countries.

In April, UniBev, Ltd., a division of CBC that focuses on the import and specialty beer market, announced that it had signed an agreement with New Zealand-based Lion Nathan Ltd. to import and market Steinlager beer in the United States, beginning in July. Steinlager is presently imported to the U.S. by Molson U.S.A. Steinlager is Lion Nathan's flagship brand and leading export. CBC has brewed and distributed Lion Nathan's Castlemaine XXXX in the U.S. since September 1993.

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 26, 1993. The accompanying financial statements have not been examined by 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 summarize fairly the Company's financial position and results of operations. The results of operations for the 12 weeks ended March 20, 1994, may not be indicative of results that may be expected for the year ending December 25, 1994.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

In January 1992, ACC and CBC (as well as two former affiliates that are now subsidiaries of ACX Technologies, Inc.) were sued by TransRim Enterprises (USA) Ltd. in Federal District Court for the District of Colorado. TransRim alleged that the defendants misused confidential information and breached an implied contract to proceed with a joint venture project to build and operate a paper board mill. TransRim initially claimed damages totaling \$159 million based on a number of theories, some of which were removed from the case on defendants' summary judgment motions. TransRim sought damages for unjust enrichment from alleged savings to CBC in purchases of paper board from other suppliers. Trial to a jury was held in April 1994 and the jury returned a verdict in favor of all defendants on all claims.

### **Item 5. Other Information**

On April 28, 1994 the company announced the appointments of Robert W. Ehret to the position of Vice President of Human Resources, and Carl L. Barnhill to the position of Vice President of Sales. Both positions will report to W. Leo Kiely III, Coors Brewing Company President and Chief Operating Officer.

### **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/ Robert J. Diaz*

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*Robert J. Diaz  
Vice President, Controller  
Coors Brewing Company  
(Principal Financial Officer)  
(Principal Accounting Officer)*

*April 29, 1994*

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**End of Filing**

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