

Edgar Filing: TreeHouse Foods, Inc. - Form 10-Q

TreeHouse Foods, Inc.
Form 10-Q
November 01, 2018

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 September 30, 2018.

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 001-32504

TreeHouse Foods, Inc.

(Exact name of the registrant as specified in its charter)

Delaware

20-2311383

(State or other jurisdiction of incorporation or organization) (I.R.S. employer identification no.)

2021 Spring Road, Suite 600

Oak Brook, IL

60523

(Address of principal executive offices)

(Zip Code)

(Registrant's telephone number, including area code) (708) 483-1300

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, a smaller reporting company, or an emerging growth 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 Accelerated filer

Non-accelerated filer Smaller reporting Company
(Do not check if a smaller reporting company)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

Number of shares of Common Stock, \$0.01 par value, outstanding as of October 26, 2018: 55,997,265.

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Part I — Financial Information

Item 1. Financial Statements

TREEHOUSE FOODS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except per share data)

	September 30, 2018	December 31, 2017
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$52.8	\$132.8
Investments	15.4	14.1
Receivables, net	285.6	329.8
Inventories	999.3	918.3
Prepaid expenses and other current assets	92.5	89.7
Total current assets	1,445.6	1,484.7
Property, plant and equipment, net	1,272.1	1,294.4
Goodwill	2,168.0	2,182.0
Intangible assets, net	722.3	773.0
Other assets, net	36.2	45.2
Total assets	\$5,644.2	\$5,779.3
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$562.6	\$451.3
Accrued expenses	188.3	138.4
Current portion of long-term debt	10.4	10.1
Total current liabilities	761.3	599.8
Long-term debt	2,333.1	2,535.7
Deferred income taxes	173.3	178.4
Other long-term liabilities	186.8	202.1
Total liabilities	3,454.5	3,516.0
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock, par value \$0.01 per share, 10.0 shares authorized, none issued	—	—
Common stock, par value \$0.01 per share, 90.0 shares authorized, 56.1 and 56.6 shares issued and outstanding, respectively	0.6	0.6
Treasury stock	(70.9)	(28.7)
Additional paid-in capital	2,136.7	2,107.0
Retained earnings	198.5	245.9
Accumulated other comprehensive loss	(75.2)	(61.5)
Total stockholders' equity	2,189.7	2,263.3
Total liabilities and stockholders' equity	\$5,644.2	\$5,779.3

See Notes to Condensed Consolidated Financial Statements.

TREEHOUSE FOODS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	(Unaudited)		(Unaudited)	
Net sales	\$1,394.0	\$1,548.8	\$4,331.0	\$4,607.2
Cost of sales	1,166.5	1,289.1	3,635.8	3,784.5
Gross profit	227.5	259.7	695.2	822.7
Operating expenses:				
Selling and distribution	85.4	95.6	285.5	295.0
General and administrative	66.5	66.9	220.5	228.9
Amortization expense	21.4	28.5	64.9	85.8
Other operating expense, net	23.3	11.1	98.9	111.9
Total operating expenses	196.6	202.1	669.8	721.6
Operating income	30.9	57.6	25.4	101.1
Other expense:				
Interest expense	27.8	31.4	87.6	92.9
Interest income	(1.3)	) (0.4)	) (3.8)	) (3.5)
Loss (income) on foreign currency exchange	0.6	(2.5)	) 5.0	(2.8)
Other expense (income), net	3.6	(1.0)	) 6.5	0.7
Total other expense	30.7	27.5	95.3	87.3
Income (loss) before income taxes	0.2	30.1	(69.9)	) 13.8
Income tax (benefit) expense	(5.2)	) 1.3	(21.1)	) (9.0)
Net income (loss)	\$5.4	\$28.8	\$(48.8)	) \$22.8
Net earnings (loss) per common share:				
Basic	\$0.10	\$0.50	\$(0.87)	) \$0.40
Diluted	\$0.10	\$0.50	\$(0.87)	) \$0.40
Weighted average common shares:				
Basic	56.3	57.3	56.4	57.1
Diluted	56.7	57.7	56.4	57.7

See Notes to Condensed Consolidated Financial Statements.

TREEHOUSE FOODS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (In millions)

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	2018	2017	2018	2017
	(Unaudited)		(Unaudited)	
Net income (loss)	\$5.4	\$28.8	\$(48.8)	\$22.8
Other comprehensive income (loss):				
Foreign currency translation adjustments (1)	6.5	18.0	(13.0)	34.5
Pension and postretirement reclassification adjustment (2)	0.1	0.1	0.4	7.2
Adoption of ASU 2018-02 reclassification to retained earnings	—	—	(1.1)	—
Other comprehensive income (loss)	6.6	18.1	(13.7)	41.7
Comprehensive income (loss)	\$12.0	\$46.9	\$(62.5)	\$64.5

(1) Net of tax of \$(0.1) million and \$0.1 million for the three and nine months ended September 30, 2018, respectively. There was no tax impact for the three or nine months ended September 30, 2017.

(2) Net of tax of \$0.1 million and \$0.1 million for the three months ended September 30, 2018 and 2017, respectively, and \$0.2 million and \$4.4 million for the nine months ended September 30, 2018 and 2017, respectively.

See Notes to Condensed Consolidated Financial Statements.

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TREEHOUSE FOODS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (In millions)

	Nine Months Ended September 30, 2018 2017 (Unaudited)	
Cash flows from operating activities:		
Net (loss) income	\$(48.8)	\$22.8
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	193.7	213.2
Stock-based compensation	28.2	25.2
(Gain) loss on divestitures	(14.3)	85.6
Other	5.2	0.7
Changes in operating assets and liabilities, net of effect of divestitures and acquisitions:		
Receivables	40.1	0.2
Inventories	(85.2)	(205.0)
Prepaid expenses and other assets	13.5	(39.2)
Accounts payable, accrued expenses, and other liabilities	138.1	159.9
Net cash provided by operating activities	270.5	263.4
Cash flows from investing activities:		
Additions to property, plant, and equipment	(116.7)	(102.5)
Additions to intangible assets	(16.4)	(18.6)
Proceeds from sale of fixed assets	4.7	7.2
Proceeds from divestitures	30.8	19.3
Other	(1.1)	(1.0)
Net cash used in investing activities	(98.7)	(95.6)
Cash flows from financing activities:		
Borrowings under Revolving Credit Facility	80.4	584.5
Payments under Revolving Credit Facility	(80.4)	(634.5)
Payments on capitalized lease obligations and other debt	(0.9)	(2.3)
Payment of deferred financing costs	(2.4)	—