

BERRY PLASTICS GROUP INC

Form 10-Q

January 31, 2014

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 the quarterly period ended December 28, 2013

or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 001-35672

BERRY PLASTICS GROUP, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 20-5234618 |
| (State or other jurisdiction of incorporation or organization) | (IRS employer identification number) |

| | |
|---|------------|
| 101 Oakley Street | |
| Evansville, Indiana | 47710 |
| (Address of principal executive offices) | (Zip code) |

Registrant's telephone number, including area code: (812) 424-2904

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

| | |
|--|--|
| Title of Each Class | Name of Each Exchange on Which Registered |
| Common Stock, \$0.01 par value per share | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

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 such shorter period that the registrant was

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required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes [X] 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 [X] No []

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K: []

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, or non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [] Accelerated filer [] Non-accelerated filer [X] Small reporting company []

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes [] No [X]

As of January 31, 2014, there were approximately 116,300,000 shares of the registrant's common stock outstanding.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Form 10-Q includes “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), with respect to our financial condition, results of operations and business and our expectations or beliefs concerning future events. The forward-looking statements include, in particular, statements about our plans, strategies and prospects under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. You can identify forward-looking statements because they contain words such as “believes,” “expects,” “may,” “will,” “should,” “would,” “could,” “seeks,” “approximately,” “intends,” “plans,” “estimates,” “outlook,” or “anticipates” or similar expressions that relate to our strategy, plans or intentions. All statements we make relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results or to our expectations regarding future industry trends are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are based upon information available to us on the date of this Form 10-Q.

All forward-looking information and subsequent written and oral forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our results include:

- risks associated with our substantial indebtedness and debt service;
- changes in prices and availability of resin and other raw materials and our ability to pass on changes in raw material prices on a timely basis;
 - performance of our business and future operating results;
- risks related to our acquisition strategy and integration of acquired businesses;
 - reliance on unpatented know-how and trade secrets;
- increases in the cost of compliance with laws and regulations, including environmental, safety, and production and product laws and regulations;
- risks related to disruptions in the overall economy and the financial markets that may adversely impact our business;
- catastrophic loss of one of our key manufacturing facilities, natural disasters, and other unplanned business interruptions;
 - risks of competition, including foreign competition, in our existing and future markets;
 - general business and economic conditions, particularly an economic downturn;
- risks that our restructuring program may entail greater implementation costs or result in lower cost savings than anticipated;
 - the ability of our insurance to cover fully our potential exposures; and
- the other factors discussed in our Form 10-K for the fiscal year ended September 28, 2013 in the section titled “Risk Factors.”

We caution readers that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this Form 10-Q may not in fact occur. Accordingly, investors should not place undue reliance on those statements. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Readers should carefully review the factors discussed in our Form 10-K for the fiscal year ended September 28, 2013 in the section titled “Risk Factors” and other risk factors identified from time to time in our periodic filings with the Securities and Exchange Commission (“SEC”). We undertake no obligation to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes.

Berry Plastics Group, Inc.
Form 10-Q Index
For Quarterly Period Ended December 28, 2013

| | | |
|-------------------------------|--|-----------|
| Part I. Financial Information | | Page No. |
| Item 1. | <u>Financial Statements:</u> | |
| | <u>Consolidated Balance Sheets</u> | <u>4</u> |
| | <u>Consolidated Statements of Operations and Comprehensive Income (Loss)</u> | <u>5</u> |
| | <u>Consolidated Statements of Changes in Stockholders' Equity (Deficit)</u> | <u>6</u> |
| | <u>Consolidated Statements of Cash Flows</u> | <u>7</u> |
| | <u>Notes to Consolidated Financial Statements</u> | <u>8</u> |
| Item 2. | Management's Discussion and Analysis of <u>Financial Condition and Results of Operations</u> | <u>19</u> |
| Item 3. | <u>Quantitative and Qualitative Disclosures about Market Risk</u> | <u>24</u> |
| Item 4. | <u>Controls and Procedures</u> | <u>25</u> |
| Part II. | Other Information | |
| Item 1. | <u>Legal Proceedings</u> | <u>25</u> |
| Item 1A. | <u>Risk Factors</u> | <u>25</u> |
| Item 2. | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>25</u> |
| Item 3. | <u>Defaults Upon Senior Securities</u> | <u>25</u> |
| Item 4. | <u>Mine Safety Disclosures</u> | <u>25</u> |
| Item 5. | <u>Other Information</u> | <u>25</u> |
| Item 6. | <u>Exhibits</u> | <u>26</u> |
| | <u>Signature</u> | <u>27</u> |

Item 1. Financial Statements

Berry Plastics Group, Inc.
Consolidated Balance Sheets
(in millions of dollars, except per share data)

| | December 28, 2013 (Unaudited) | September 28, 2013 |
|--|-------------------------------------|-----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 162 | \$ 142 |
| Accounts receivable (less allowance of \$3 at December 28, 2013 and September 28, 2013) | 405 | 449 |
| Inventories: | | |
| Finished goods | 333 | 335 |
| Raw materials and supplies | 239 | 240 |
| | 572 | 575 |
| Deferred income taxes | 260 | 139 |
| Prepaid expenses and other current assets | 45 | 32 |
| Total current assets | 1,444 | 1,337 |
| Property, plant, and equipment, net | 1,280 | 1,266 |
| Goodwill, intangible assets and deferred costs, net | 2,528 | 2,520 |
| Other assets | 12 | 12 |
| Total assets | \$ 5,264 | \$ 5,135 |
| Liabilities and stockholders' equity (deficit) | | |
| Current liabilities: | | |
| Accounts payable | \$ 362 | \$ 337 |
| Accrued expenses and other current liabilities | 327 | 276 |
| Current portion of long-term debt | 74 | 71 |
| Total current liabilities | 763 | 684 |
| Long-term debt, less current portion | 3,875 | 3,875 |
| Deferred income taxes | 509 | 385 |
| Other long-term liabilities | 300 | 387 |
| Total liabilities | 5,447 | 5,331 |
| Commitments and contingencies | | |
| Stockholders' equity (deficit): | | |
| Common stock; (\$0.01 par value; 400,000,000 shares authorized; 116,279,187 shares issued and 116,208,703 shares outstanding as of December 28, 2013; 115,895,927 issued and 115,825,443 outstanding as of September 28, 2013) | 1 | 1 |
| Additional paid-in capital | 330 | 322 |
| Non-controlling interest | 3 | 3 |
| Accumulated deficit | (498) | (504) |
| Accumulated other comprehensive loss | (19) | (18) |
| Total stockholders' equity (deficit) | (183) | (196) |
| Total liabilities and stockholders' equity (deficit) | \$ 5,264 | \$ 5,135 |

See notes to consolidated financial statements.

Berry Plastics Group, Inc.

Consolidated Statements of Operations and Comprehensive Income (Loss)

(Unaudited)

(in millions of dollars, except per share data)

| | Quarterly Period Ended | |
|--|------------------------|----------------------|
| | December 28, 2013 | December 29, 2012 |
| Net sales | \$ 1,140 | \$ 1,072 |
| Costs and expenses: | | |
| Cost of goods sold | 964 | 895 |
| Selling, general and administrative | 77 | 77 |
| Amortization of intangibles | 26 | 27 |
| Restructuring and impairment charges | 10 | 5 |
| Operating income | 63 | 68 |
| Debt extinguishment | — | 16 |
| Other income, net | (1) | (3) |
| Interest expense, net | 55 | 70 |
| Income (loss) before income taxes | 9 | (15) |
| Income tax expense (benefit) | 3 | (5) |
| Net income (loss) | \$ 6 | \$ (10) |
| Comprehensive income (loss) | \$ 5 | \$ (7) |
| Net income (loss) per share: | | |
| Basic | \$ 0.05 | \$ (0.09) |
| Diluted | 0.05 | (0.09) |
| Outstanding weighted-average shares: (in thousands) | | |
| Basic | 115,933 | 111,352 |
| Diluted | 120,479 | 111,352 |

See notes to consolidated financial statements.

Berry Plastics Group, Inc.

Consolidated Statement of Changes in Stockholders' Equity (Deficit)

For the Quarterly Period Ended December 29, 2012 and December 28, 2013

(Unaudited)

(in millions of dollars)

| | Common Stock | Paid-in Capital | Notes Receivable-Common Stock | Non-control Interest | Accumulated Other Comprehensive Loss | Accumulated Deficit | Total |
|--|-----------------|--------------------|-------------------------------------|-------------------------|---|------------------------|-----------|
| Balance at September 29, 2012 | \$ 1 | \$ 131 | \$ (2) | \$ 3 | \$ (47) | \$ (561) | \$ (475) |
| Proceeds from issuance of common stock | — | 4 | — | — | — | — | 4 |
| Stock compensation expense | — | 4 | — | — | — | — | 4 |
| Termination of redeemable shares | — | — | — | — | — | — | — |
| redemption requirement | — | 23 | — | — | — | — | 23 |
| Proceeds from initial public offering | — | 438 | — | — | — | — | 438 |
| Initial obligation under tax receivable agreement | — | (300) | — | — | — | — | (300) |
| Derivative amortization | — | — | — | — | 1 | — | 1 |
| Net loss | — | — | — | — | — | (10) | (10) |
| Currency translation | — | — | — | — | 2 | — | 2 |
| Balance at December 29, 2012 | \$ 1 | \$ 300 | \$ (2) | \$ 3 | \$ (44) | \$ (571) | \$ (313) |
| Balance at September 28, 2013 | \$ 1 | \$ 322 | \$ — | \$ 3 | \$ (18) | \$ (504) | \$ (196) |
| Proceeds from issuance of common stock | — | 3 | — | — | — | — | 3 |
| Stock compensation expense | — | 5 | — | — | — | — | 5 |
| Net income | — | — | — | — | — | 6 | 6 |
| Currency translation | — | — | — | — | (1) | — | (1) |
| Balance at December 28, 2013 | \$ 1 | \$ 330 | \$ — | \$ 3 | \$ (19) | \$ (498) | \$ (183) |

See notes to consolidated financial statements.

Berry Plastics Group, Inc.
Consolidated Statements of Cash Flows
(Unaudited)
(in millions of dollars)

| | Quarterly Period Ended | |
|---|------------------------|----------------------|
| | December 28, 2013 | December 29, 2012 |
| Cash Flows from Operating Activities: | | |
| Net income (loss) | \$ 6 | \$ (10) |
| Adjustments to reconcile net cash provided by operating activities: | | |
| Depreciation | 59 | 60 |
| Amortization of intangibles | 26 | 27 |
| Non-cash interest expense | 2 | 5 |
| Deferred income tax | 4 | (5) |
| Debt extinguishment | — | 16 |
| Stock compensation expense | 5 | |