

CONAGRA FOODS INC /DE/
Form 10-Q
October 06, 2015

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 August 30, 2015

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: 1-7275

CONAGRA FOODS, INC.
(Exact name of registrant as specified in its charter)

Delaware 47-0248710
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

One ConAgra Drive, 68102-5001
Omaha, Nebraska
(Address of principal executive offices) (Zip Code)
(402) 240-4000

(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)

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, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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 outstanding of issuer's common stock, as of August 30, 2015, was 432,911,194.

Table of Contents

<u>Part I. FINANCIAL INFORMATION</u>		<u>1</u>
Item 1	<u>Financial Statements</u>	<u>1</u>
	<u>Unaudited Condensed Consolidated Statements of Operations for the Thirteen weeks ended August 30, 2015 and August 24, 2014</u>	<u>1</u>
	<u>Unaudited Condensed Consolidated Statements of Comprehensive Income for the Thirteen weeks ended August 30, 2015 and August 24, 2014</u>	<u>2</u>
	<u>Unaudited Condensed Consolidated Balance Sheets as of August 30, 2015 and May 31, 2015</u>	<u>3</u>
	<u>Unaudited Condensed Consolidated Statements of Cash Flows for the Thirteen weeks ended August 30, 2015 and August 24, 2014</u>	<u>4</u>
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>5</u>
Item 2	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>24</u>
Item 3	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>34</u>
Item 4	<u>Controls and Procedures</u>	<u>35</u>
<u>Part II. OTHER INFORMATION</u>		<u>36</u>
Item 1	<u>Legal Proceedings</u>	<u>36</u>
Item 1A	<u>Risk Factors</u>	<u>36</u>
Item 6	<u>Exhibits</u>	<u>36</u>
	<u>Signatures</u>	<u>37</u>
	<u>Exhibit Index</u>	
	<u>Exhibit 10.3</u>	
	<u>Exhibit 12</u>	
	<u>Exhibit 31.1</u>	
	<u>Exhibit 31.2</u>	
	<u>Exhibit 32.1</u>	
	<u>Exhibit 101.1</u>	

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ConAgra Foods, Inc. and Subsidiaries
 Condensed Consolidated Statements of Operations
 (in millions except per share amounts)
 (unaudited)

	Thirteen Weeks Ended	
	August 30, 2015	August 24, 2014
Net sales	\$2,793.8	\$2,763.0
Costs and expenses:		
Cost of goods sold	2,093.0	2,172.2
Selling, general and administrative expenses	405.4	393.8
Interest expense, net	80.3	83.3
Income from continuing operations before income taxes and equity method investment earnings	215.1	113.7
Income tax expense	84.9	43.1
Equity method investment earnings	37.0	25.6
Income from continuing operations	167.2	96.2
Income (loss) from discontinued operations, net of tax	(1,319.6)	388.3
Net income (loss)	\$(1,152.4)	\$484.5
Less: Net income attributable to noncontrolling interests	1.7	2.2
Net income (loss) attributable to ConAgra Foods, Inc.	\$(1,154.1)	\$482.3
Earnings (loss) per share — basic		
Income from continuing operations attributable to ConAgra Foods, Inc. common stockholders	\$0.38	\$0.22
Income (loss) from discontinued operations attributable to ConAgra Foods, Inc. common stockholders	(3.06)	0.92
Net income (loss) attributable to ConAgra Foods, Inc. common stockholders	\$(2.68)	\$1.14
Earnings (loss) per share — diluted		
Income from continuing operations attributable to ConAgra Foods, Inc. common stockholders	\$0.38	\$0.22
Income (loss) from discontinued operations attributable to ConAgra Foods, Inc. common stockholders	(3.03)	0.90
Net income (loss) attributable to ConAgra Foods, Inc. common stockholders	\$(2.65)	\$1.12
Cash dividends declared per common share	\$0.25	\$0.25
See notes to the condensed consolidated financial statements.		

ConAgra Foods, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss)
(in millions)
(unaudited)

	Thirteen weeks ended August 30, 2015			Thirteen weeks ended August 24, 2014		
	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Net income (loss)	\$(1,539.5)	\$387.1	\$(1,152.4)	\$767.2	\$ (282.7)	\$ 484.5
Other comprehensive income (loss):						
Reclassification for derivative adjustments included in net income	—	—	—	(0.5)	0.2	(0.3)
Unrealized gains on available-for-sale securities	—	—	—	0.1	—	0.1
Unrealized currency translation losses	(37.6)	—	(37.6)	(17.7)	—	(17.7)
Pension and post-employment benefit obligations:						
Unrealized pension and post-employment benefit obligations	6.6	(1.6)	5.0	3.8	(1.0)	2.8
Reclassification for pension and post-employment benefit obligations included in net income	(1.3)	0.5	(0.8)	(0.2)	0.1	(0.1)
Comprehensive income (loss)	(1,571.8)	386.0	(1,185.8)	752.7	(283.4)	469.3
Comprehensive income (loss) attributable to noncontrolling interests	(1.1)	(0.3)	(1.4)	(0.8)	—	(0.8)
Comprehensive income (loss) attributable to ConAgra Foods, Inc.	\$(1,570.7)	\$386.3	\$(1,184.4)	\$753.5	\$ (283.4)	\$ 470.1

See notes to the condensed consolidated financial statements.

ConAgra Foods, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in millions except share data)
(unaudited)

	August 30, 2015	May 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 114.3	\$ 164.7
Receivables, less allowance for doubtful accounts of \$4.4 and \$4.1	837.3	772.5
Inventories	1,827.3	1,715.2
Prepaid expenses and other current assets	183.0	276.3
Current assets held for sale	740.1	739.0
Total current assets	3,702.0	3,667.7
Property, plant and equipment	6,169.8	6,197.3
Less accumulated depreciation	(3,510.8) (3,503.3
Property, plant and equipment, net	2,659.0	2,694.0
Goodwill	4,689.5	4,699.5
Brands, trademarks and other intangibles, net	1,392.7	1,313.4
Other assets	973.3	933.5
Noncurrent assets held for sale	2,417.8	4,234.1
	\$ 15,834.3	\$ 17,542.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes payable	\$ 13.1	\$ 7.9
Current installments of long-term debt	1,557.3	1,008.0
Accounts payable	1,157.7	1,138.8
Accrued payroll	153.4	218.2
Other accrued liabilities	681.8	649.4
Current liabilities held for sale	283.6	287.9
Total current liabilities	3,846.9	3,310.2
Senior long-term debt, excluding current installments	6,103.7	6,653.0
Subordinated debt	195.9	195.9
Other noncurrent liabilities	1,980.0	2,023.2
Noncurrent liabilities held for sale	263.4	749.9
Total liabilities	12,389.9	12,932.2
Commitments and contingencies (Note 13)		
Common stockholders' equity		
Common stock of \$5 par value, authorized 1,200,000,000 shares; issued 567,907,172	2,839.7	2,839.7
Additional paid-in capital	1,072.7	1,049.4
Retained earnings	3,069.0	4,331.1
Accumulated other comprehensive loss	(359.8) (329.5
Less treasury stock, at cost, 134,995,978 and 139,702,605 common shares	(3,258.3) (3,364.7
Total ConAgra Foods, Inc. common stockholders' equity	3,363.3	4,526.0
Noncontrolling interests	81.1	84.0
Total stockholders' equity	3,444.4	4,610.0
	\$ 15,834.3	\$ 17,542.2

See notes to the condensed consolidated financial statements.

3

ConAgra Foods, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in millions)
(unaudited)

	Thirteen weeks ended	
	August 30, 2015	August 24, 2014
Cash flows from operating activities:		
Net income (loss)	\$(1,152.4)	\$484.5
Income (loss) from discontinued operations	(1,319.6)	388.3
Income (loss) from continuing operations	167.2	96.2
Adjustments to reconcile income (loss) from continuing operations to net cash flows from operating activities:		
Depreciation and amortization	91.6	96.0
Asset impairment charges	0.6	1.3
Loss on sale of fixed assets	2.2	0.9
Earnings of affiliates in excess of distributions	(33.9)	(24.4)
Share-based payments expense	20.6	14.5
Contributions to pension plans	(2.7)	(2.8)
Pension benefit	—	(2.3)
Other items	(9.0)	23.0
Change in operating assets and liabilities excluding effects of business acquisitions and dispositions:		
Accounts receivable	(64.6)	(16.6)
Inventory	(111.8)	(92.1)
Deferred income taxes and income taxes payable, net	(22.2)	(17.0)
Prepaid expenses and other current assets	10.9	13.5
Accounts payable	53.2	71.4
Accrued payroll	(55.3)	32.3
Other accrued liabilities	(6.0)	(33.6)
Net cash flows from operating activities — continuing operations	40.8	160.3
Net cash flows from operating activities — discontinued operations	26.0	73.3
Net cash flows from operating activities	66.8	233.6
Cash flows from investing activities:		
Additions to property, plant and equipment	(108.0)	(90.4)
Sale of property, plant and equipment	12.9	1.8
Purchase of business, net of cash acquired	—	(75.4)
Purchase of intangible assets	(10.4)	—
Return of investment in equity method investee	—	402.9
Net cash flows from investing activities — continuing operations	(105.5)	238.9
Net cash flows from investing activities — discontinued operations	(20.0)	92.7
Net cash flows from investing activities	(125.5)	331.6
Cash flows from financing activities:		
Net short-term borrowings	5.2	407.3
Issuance of long-term debt	—	550.0
Repayment of long-term debt	(2.5)	(1,486.7)
Cash dividends paid	(107.1)	(105.5)
Exercise of stock options and issuance of other stock awards	119.9	27.1

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Other items	(1.4)	(5.9)
Net cash flows from financing activities	14.1		(613.7)
Effect of exchange rate changes on cash and cash equivalents	(1.6)	(0.9)
Net change in cash and cash equivalents	(46.2)	(49.4)
Discontinued operations cash activity included above:				
Add: Cash balance included in assets held for sale at beginning of period	18.4		64.9	
Less: Cash balance included in assets held for sale at end of period	22.6		21.9	
Cash and cash equivalents at beginning of period	164.7		118.2	
Cash and cash equivalents at end of period	\$114.3		\$111.8	
See notes to the condensed consolidated financial statements.				

4

ConAgra Foods, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

For the Thirteen Weeks ended August 30, 2015 and August 24, 2014

(columnar dollars in millions except per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited financial information reflects all adjustments, which are, in the opinion of management, necessary for a fair presentation of the results of operations, financial position, and cash flows for the periods presented. The adjustments are of a normal recurring nature, except as otherwise noted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the ConAgra Foods, Inc. (the "Company", "we", "us", or "our") Annual Report on Form 10-K for the fiscal year ended May 31, 2015.

The results of operations for any quarter or a partial fiscal year period are not necessarily indicative of the results to be expected for other periods or the full fiscal year.

Basis of Consolidation — The condensed consolidated financial statements include the accounts of ConAgra Foods, Inc. and all majority-owned subsidiaries. In addition, the accounts of all variable interest entities for which we have been determined to be the primary beneficiary are included in our condensed consolidated financial statements from the date such determination is made. All significant intercompany investments, accounts, and transactions have been eliminated.

Comprehensive Income — Comprehensive income includes net income, currency translation adjustments, certain derivative-related activity, changes in the value of available-for-sale investments, and changes in prior service cost and net actuarial gains (losses) from pension (for amounts not in excess of the 10% corridor) and post-retirement health care plans. We generally deem our foreign investments to be essentially permanent in nature and we do not provide for taxes on currency translation adjustments arising from converting the investment denominated in a foreign currency to U.S. dollars. When we determine that a foreign investment, as well as undistributed earnings, are no longer permanent in nature, estimated taxes are provided for the related deferred tax liability (asset), if any, resulting from currency translation adjustments.

The following tables summarize the reclassifications from accumulated other comprehensive loss into operations:

	Thirteen Weeks Ended		Affected Line Item in the Condensed Consolidated Statement of Operations ¹
	August 30, 2015	August 24, 2014	
Net derivative adjustment, net of tax:			
Cash flow hedges	\$		