

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Company has two classes of common stock outstanding, Common Stock and Class B Common Stock. The Common Stock is traded on the NASDAQ Global Select Market under the symbol COKE. There is no established public trading market for the Class B Common Stock. Shares of Class B Common Stock are convertible on a share-for-share basis into shares of Common Stock at the option of the holder.

The Company's Board of Directors determines the amount and frequency of dividends declared and paid by the Company in light of the earnings and financial condition of the Company at such time. No assurance can be given that dividends will be declared or paid in the future.

As of January 26, 2020, the number of stockholders of record of the Common Stock and Class B Common Stock was 1,291 and 10, respectively.

On March 5, 2019, the Compensation Committee of the Company's Board of Directors determined that 34,700 shares of restricted Class B Common Stock, \$1.00 par value, should be issued to J. Frank Harrison, III, in connection with his services in 2018 as Chairman of the Board of Directors and Chief Executive Officer of the Company, pursuant to a performance unit award agreement approved in 2008 (the "Performance Unit Award Agreement"). As permitted under the terms of the Performance Unit Award Agreement, 15,476 of such shares were settled in cash to satisfy tax withholding obligations in connection with the vesting of the performance units. The shares issued to Mr. Harrison were issued without registration under the Securities Act of 1933, as amended, in reliance on Section 4(a)(2) therein. The Performance Unit Award Agreement expired with this award issuance. See Note 23 to the consolidated financial statements for additional information.

Stock Performance Graph

Presented below is a line graph comparing the yearly percentage change in the cumulative total return on the Company's Common Stock to the cumulative total return of the Standard & Poor's 500 Index and a peer group for the period commencing December 28, 2014 and ending December 29, 2019. The peer group is comprised of Keurig Dr Pepper Inc., National Beverage Corp., The Coca-Cola Company, Cott Corporation and PepsiCo, Inc.

The graph assumes \$100 was invested in the Company's Common Stock, the Standard & Poor's 500 Index and each of the companies within the peer group on December 28, 2014, and that all dividends were reinvested on a quarterly basis. Returns for the companies included in the peer group have been weighted on the basis of the total market capitalization for each company.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*

Among Coca-Cola Consolidated, Inc., the S&P 500 Index,
and a Peer Group



* Assumes \$100 invested on 12/28/2014 in stock or 12/31/2014 in index, including reinvestment of dividends. Index calculated on a month-end basis.

Item 6. Selected Financial Data.

The table below sets forth certain selected financial data concerning the Company for the five fiscal years ended December 29, 2019. The data is derived from consolidated financial statements of the Company. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the accompanying notes to the consolidated financial statements for additional information.

| <i>(in thousands, except per share data)</i> | Fiscal Year | | | | |
|---|------------------|--------------------|------------------|------------------|------------------|
| | 2019(1) | 2018 | 2017 | 2016 | 2015(2) |
| Net sales | \$4,826,549 | \$4,625,364 | \$4,287,588 | \$3,130,145 | \$2,287,707 |
| Cost of sales | 3,156,047 | 3,069,652 | 2,782,721 | 1,940,706 | 1,405,426 |
| Gross profit | 1,670,502 | 1,555,712 | 1,504,867 | 1,189,439 | 882,281 |
| Selling, delivery and administrative expenses | 1,489,748 | 1,497,810 | 1,403,320 | 1,058,240 | 784,137 |
| Income from operations | 180,754 | 57,902 | 101,547 | 131,199 | 98,144 |
| Interest expense, net | 45,990 | 50,506 | 41,869 | 36,325 | 28,915 |
| Other expense, net | 100,539 | 30,853 | 9,565 | 1,470 | 3,576 |
| Gain (loss) on exchange transactions | - | 10,170 | 12,893 | (692) | 8,807 |
| Gain on sale of business | - | - | - | - | 22,651 |
| Bargain purchase gain, net of tax of \$1,265 | - | - | - | - | 2,011 |
| Income (loss) before income taxes | 34,225 | (13,287) | 63,006 | 92,712 | 99,122 |
| Income tax expense (benefit) | 15,665 | 1,869 | (39,841) | 36,049 | 34,078 |
| Net income (loss) | 18,560 | (15,156) | 102,847 | 56,663 | 65,044 |
| Less: Net income attributable to noncontrolling interest | 7,185 | 4,774 | 6,312 | 6,517 | 6,042 |
| Net income (loss) attributable to Coca-Cola Consolidated, Inc. | <u>\$ 11,375</u> | <u>\$ (19,930)</u> | <u>\$ 96,535</u> | <u>\$ 50,146</u> | <u>\$ 59,002</u> |
| Basic net income (loss) per share based on net income attributable to Coca-Cola Consolidated, Inc.: | | | | | |
| Common Stock | \$ 1.21 | \$ (2.13) | \$ 10.35 | \$ 5.39 | \$ 6.35 |
| Class B Common Stock | \$ 1.21 | \$ (2.13) | \$ 10.35 | \$ 5.39 | \$ 6.35 |
| Diluted net income (loss) per share based on net income attributable to Coca-Cola Consolidated, Inc.: | | | | | |
| Common Stock | \$ 1.21 | \$ (2.13) | \$ 10.30 | \$ 5.36 | \$ 6.33 |
| Class B Common Stock | \$ 1.19 | \$ (2.13) | \$ 10.29 | \$ 5.35 | \$ 6.31 |
| Cash dividends per share - Common Stock | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| Cash dividends per share - Class B Common Stock | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| Net cash provided by operating activities | \$ 290,370 | \$ 168,879 | \$ 307,816 | \$ 161,995 | \$ 108,290 |
| Net cash used in investing activities | 173,677 | 143,945 | 458,895 | 452,026 | 217,343 |
| Net cash provided by (used in) financing activities | (120,627) | (28,288) | 146,131 | 256,383 | 155,456 |
| Total assets | 3,126,926 | 3,009,928 | 3,072,960 | 2,449,484 | 1,846,565 |
| Working capital | 208,081 | 195,681 | 155,086 | 135,904 | 108,366 |
| Acquisition related contingent consideration | 446,684 | 382,898 | 381,291 | 253,437 | 136,570 |
| Current portion of obligations under financing or capital leases | 9,403 | 8,617 | 8,221 | 7,527 | 7,063 |
| Noncurrent portion of obligations under financing or capital leases | 17,403 | 26,631 | 35,248 | 41,194 | 48,721 |
| Long-term debt | 1,029,920 | 1,104,403 | 1,088,018 | 907,254 | 619,628 |
| Total equity of Coca-Cola Consolidated, Inc. | 346,952 | 358,187 | 366,702 | 277,131 | 243,056 |
| Physical case volume | 343,242 | 337,711 | 323,836 | 243,578 | 179,564 |

- (1) In 2019, the Company adopted Accounting Standards Update 2016-02, “Leases,” using the optional transition method. As of December 29, 2019, the Company had \$15.0 million in current obligations under operating leases and \$97.8 million in noncurrent obligations under operating leases. See Note 10 to the consolidated financial statements for additional information on the Company’s adoption of the lease standard.
- (2) All years presented are 52-week fiscal years except 2015 which was a 53-week fiscal year. The estimated net sales, gross margin and selling, delivery and administrative (“SD&A”) expenses for the additional week in 2015 of approximately \$39 million, \$14 million and \$10 million, respectively, are included in the reported results for 2015.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company should be read in conjunction with the consolidated financial statements of the Company and the accompanying notes to the consolidated financial statements.

The Company's fiscal year generally ends on the Sunday closest to December 31 of each year. The fiscal years presented are the 52-week periods ended December 29, 2019 ("2019") and December 30, 2018 ("2018").

The consolidated financial statements include the consolidated operations of the Company and its majority-owned subsidiaries, including Piedmont Coca-Cola Bottling Partnership ("Piedmont"), the Company's only subsidiary that has a significant noncontrolling interest. Piedmont distributes and markets nonalcoholic beverages in portions of North Carolina and South Carolina. The Company provides a portion of these nonalcoholic beverage products to Piedmont at cost and receives a fee for managing the operations of Piedmont pursuant to a management agreement. Noncontrolling interest consists of The Coca-Cola Company's interest in Piedmont, which was 22.7% for all periods presented.

The Company manages its business on the basis of three operating segments. Nonalcoholic Beverages represents the vast majority of the Company's consolidated revenues and income from operations. The additional two operating segments do not meet the quantitative thresholds for separate reporting, either individually or in the aggregate, and therefore have been combined into "All Other."

Management's Discussion and Analysis of Financial Condition and Results of Operations included in this report discusses the Company's financial condition and results of operations as of and for 2019 and 2018. Information concerning the fiscal year ended December 31, 2017 ("2017") and a comparison of 2018 and 2017 may be found under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for 2018, filed with the SEC on February 27, 2019.

Areas of Emphasis

Key priorities for the Company include commercial execution, revenue management, supply chain optimization and cash flow generation.

Commercial Execution: Our success is dependent on our ability to execute our commercial strategy within our customers' stores. Our ability to obtain shelf space within stores and remain in-stock across our portfolio of brands and packages in a profitable manner will have a significant impact on our results. We are focused on execution at every step in our supply chain, including raw material and finished goods procurement, manufacturing conversion, transportation, warehousing and distribution, to ensure in-store execution can occur. We are investing in tools and technology to enable our teammates to operate more effectively and efficiently with our customers and drive value in our business for the long term.

Revenue Management: Our revenue management strategy focuses on the optimal pricing of our brands and packages within product categories and channels, creating effective working relationships with our customers, and disciplined fact-based decision-making. Pricing decisions are made considering a variety of factors, including brand strength, competitive environment, input costs, the roles certain brands play in our product portfolio, and other market conditions.

Supply Chain Optimization: In October 2017, we completed the last of our acquisitions of our new distribution territories and manufacturing facilities in System Transaction. We are focused on optimizing our supply chain as we continue to integrate these new territories and facilities into our operations. During 2019, we opened a new automated distribution center in Erlanger, Kentucky which increased our operational capabilities and efficiencies and allows us to serve our customers in the Cincinnati, Ohio region at a lower cost. In addition, we are in the process of integrating our Memphis, Tennessee production center with our West Memphis, Arkansas operations. This project will greatly expand our West Memphis production capabilities and reduce our overall production costs. We will continue to look for opportunities to invest in our supply chain to optimize our costs.

Cash Flow Generation: Cash flow generation continues to be a key focus area for us. We have several initiatives in place to optimize cash flow, improve profitability and prudently manage capital expenditures, as we continue to prioritize debt repayment and focus on strengthening our balance sheet.