

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

Large accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting Company ☐

(Do not check if a 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 of Common Stock, \$0.01 par value, outstanding as of April 29, 2011: 35,502,778

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See Notes to Condensed Consolidated Financial Statements.

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to other manufacturing facilities. The Company estimates that approximately \$2.4 million of the charges will be in cash and incurred in 2011. The Company has accrued severance costs of approximately \$0.1 million at March 31, 2011.

4. Acquisitions

On October 28, 2010, the Company acquired all of the outstanding securities of STSF Holdings, Inc. (“Holdings”) for approximately \$180 million in cash (subject to adjustment) plus up to an additional \$15 million in cash (“earn out”) if S.T. Specialty Foods, Inc. (“S.T. Foods”) achieved certain earnings targets for the twelve month period ending December 31, 2010. The earnings targets were not met; therefore, no additional payment was required. The acquisition was funded by the Company’s revolving credit facility. S.T. Foods, a wholly owned subsidiary of Holdings, has annual net sales of approximately \$100 million and is a manufacturer of private label macaroni and cheese, skillet dinners and other value-added side dishes. The acquisition added additional categories to our product portfolio for the retail grocery channel.

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Retail
Grocery

(In thousands)

Balance at December 31, 2010	\$ 850,593	\$ 92,146	\$ 133,582	\$ 1,076,321
Currency exchange adjustment	2,601	625	—	3,226
Purchase price adjustment	133	(9)	—	124
Balance at March 31, 2011	\$ 853,327	\$ 92,762	\$ 133,582	\$ 1,079,671

Purchase price adjustments are primarily related to working capital and tax adjustments for the Sturm acquisition. The Company has not incurred any goodwill impairments since its inception.

Income tax expense was recorded at an effective rate of 33.8% and 33.7% for the three months ended March 31, 2011 and 2010, respectively. The Company's effective tax rate is favorably impacted by an intercompany financing structure entered into in conjunction with the E.D. Smith Canadian acquisition.

As of March 31, 2011, the Company does not believe that its gross recorded unrecognized tax benefits will materially change within the next 12 months.

The Company or one of its subsidiaries files income tax returns in the U.S., Canada and various state jurisdictions. During the quarter ended March 31, 2010, the Company settled with the Internal Revenue Service an audit related to its 2007 federal income tax return. The audit resulted in a small refund to the Company. During the second quarter of 2010, the Canada Revenue Agency (CRA) completed an income tax audit for E.D. Smith's 2006 and 2007 income tax years. The Company did not incur any material adjustments as a result of the tax audit. The Company has various state tax examinations in process, which are expected to be completed in 2011 or 2012. The outcome of the various state tax examinations is unknown at this time.

more than 4.95% until August 19, 2011. The Company did not apply hedge accounting to this swap.

Tax Increment Financing — As part of the acquisition of the soup and infant feeding business in 2006, the Company assumed the payments related to redevelopment bonds pursuant to a Tax Increment Financing Plan. The Company has agreed to make certain payments with respect to the principal amount of the redevelopment bonds through May 2019. As of March 31, 2011, \$2.5 million remains outstanding.

11. Earnings Per Share

Basic earnings per share is computed by dividing net income by the number of weighted average common shares outstanding during the reporting period. The weighted average number of common shares used in the diluted earnings per share calculation is determined using the treasury stock method and includes the incremental effect related to outstanding options, restricted stock, restricted stock units and performance units.

Future compensation cost related to the performance units is estimated to be approximately \$3.4 million as of March 31, 2011, and is expected to be recognized over the next 1.7 years.

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The Company contributed \$0.4 million to the pension plans in the first three months of 2011 and expects to contribute approximately \$3.6 million in 2011.

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Litigation, Investigations and Audits — The Company is party in the ordinary course of business to certain claims, litigation, audits and investigations. The Company believes that it has established adequate reserves to satisfy any liability that may be incurred in connection with any such currently pending or threatened matters. The settlement of any such currently pending or threatened matters is not expected to have a material adverse impact on our financial position, annual results of operations or cash flows.

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Dry dinners	28,770	
Aseptic products	21,936	21,853
Jams	16,104	14,944
Other products	5,635	4,144
Total net sales	\$ 493,513	\$ 397,124

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