

DOLE FOOD CO INC
Form 10-Q
July 28, 2011

Table of Contents

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 June 18, 2011
- 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 1-4455

Dole Food Company, Inc.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

99-0035300

*(I.R.S. Employer
Identification No.)*

One Dole Drive, Westlake Village, California 91362

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code:

(818) 879-6600

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 ☐

Edgar Filing: DOLE FOOD CO INC - Form 10-Q

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 definitions 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 ☐ 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 ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding at July 22, 2011
Common Stock, \$0.001 Par Value	88,603,399

DOLE FOOD COMPANY, INC.

INDEX

	Page Number
<u>PART I Financial Information</u>	
<u>Item 1.</u>	
<u>Financial Statements (Unaudited)</u>	
<u>Condensed Consolidated Statements of Operations Quarters and Half Years Ended June 18, 2011 and June 19, 2010</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income Quarters and Half Years Ended June 18, 2011 and June 19, 2010</u>	4
<u>Condensed Consolidated Balance Sheets June 18, 2011 and January 1, 2011</u>	5
<u>Condensed Consolidated Statements of Cash Flows Half Years Ended June 18, 2011 and June 19, 2010</u>	6
<u>Condensed Consolidated Statements of Shareholders Equity Half Years Ended June 18, 2011 and June 19, 2010</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	8
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	40
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	49
<u>Item 4.</u>	
<u>Controls and Procedures</u>	50
<u>PART II Other Information</u>	
<u>Item 1.</u>	
<u>Legal Proceedings</u>	50
<u>Item 6.</u>	
<u>Exhibits</u>	50
<u>Signatures</u>	51
<u>Exhibit Index</u>	52
Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act	53
Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act	54
Certification by the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act	55
Certification by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act	56
<u>EX-10.24</u>	
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-32.2</u>	
<u>EX-101 INSTANCE DOCUMENT</u>	
<u>EX-101 SCHEMA DOCUMENT</u>	
<u>EX-101 CALCULATION LINKBASE DOCUMENT</u>	
<u>EX-101 LABELS LINKBASE DOCUMENT</u>	
<u>EX-101 PRESENTATION LINKBASE DOCUMENT</u>	
<u>EX-101 DEFINITION LINKBASE DOCUMENT</u>	

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****DOLE FOOD COMPANY, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	Quarter Ended		Half Year Ended	
	June 18, 2011	June 19, 2010	June 18, 2011	June 19, 2010
	(In thousands, except per share data) (Unaudited)			
Revenues, net	\$ 1,915,725	\$ 1,741,522	\$ 3,601,829	\$ 3,347,396
Cost of products sold	(1,657,519)	(1,540,722)	(3,136,862)	(2,974,389)
Gross margin	258,206	200,800	464,967	373,007
Selling, marketing and general and administrative expenses	(130,233)	(120,490)	(254,963)	(235,080)
Charges for restructuring and long-term receivables (Notes 5 and 7)	(5,947)	(762)	(8,702)	(1,370)
Gain on asset sales (Note 13)	11	950	11	2,921
Operating income	122,037	80,498	201,313	139,478
Other income (expense), net (Note 3)	4,337	(5,496)	(35,014)	(889)
Interest income	1,166	1,516	2,484	3,118
Interest expense	(34,837)	(37,138)	(70,307)	(78,188)
Income from continuing operations before income taxes and equity earnings	92,703	39,380	98,476	63,519
Income taxes	(13,518)	(9,067)	(18,658)	(12,242)
Earnings from equity method investments	3,480	2,832	4,690	4,283
Income from continuing operations	82,665	33,145	84,508	55,560
Income from discontinued operations, net of income taxes	29	327	231	674
Gain on disposal of discontinued operations, net of income taxes	339		339	
Net income	83,033	33,472	85,078	56,234
Less: Net income attributable to noncontrolling interests	(1,267)	(1,151)	(2,272)	(1,760)
Net income attributable to shareholders of Dole Food Company, Inc.	\$ 81,766	\$ 32,321	\$ 82,806	\$ 54,474

Earnings per share Basic (Note 16):							
Income from continuing operations	\$	0.94	\$	0.38	\$	0.96	\$ 0.64
Net income attributable to shareholders of Dole Food Company, Inc.	\$	0.93	\$	0.37	\$	0.95	\$ 0.62
Earnings per share Diluted (Note 16):							
Income from continuing operations	\$	0.94	\$	0.38	\$	0.96	\$ 0.64
Net income attributable to shareholders of Dole Food Company, Inc.	\$	0.93	\$	0.37	\$	0.94	\$ 0.62

See Accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents**DOLE FOOD COMPANY, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Quarter Ended		Half Year Ended	
	June 18, 2011	June 19, 2010	June 18, 2011	June 19, 2010
	(In thousands) (Unaudited)			
Net income	\$ 83,033	\$ 33,472	\$ 85,078	\$ 56,234
Net foreign currency translation adjustment	(3,377)	(11,848)	7,526	(24,741)
Unrealized hedging gains (losses), net of income taxes of (\$61), (\$14), (\$639) and \$166, respectively	(13,114)	(396)	(14,197)	8,406
Reclassification of realized losses to net income, net of income taxes of \$379, (\$26), \$680 and (\$26), respectively	8,748	1,102	13,723	2,259
Comprehensive income	75,290	22,330	92,130	42,158
Less: Comprehensive income attributable to noncontrolling interests	(1,287)	(1,142)	(2,295)	(1,734)
Comprehensive income attributable to Shareholders of Dole Food Company, Inc.	\$ 74,003	\$ 21,188	\$ 89,835	\$ 40,424

See Accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents**DOLE FOOD COMPANY, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 18, 2011	January 1, 2011
	(In thousands, except per share data) (Unaudited)	
ASSETS		
Cash and cash equivalents	\$ 238,884	\$ 170,147
Restricted cash and deposits	5,994	51,108
Receivables, net of allowances of \$32,255 and \$36,533, respectively	809,642	751,265
Inventories	790,763	734,966
Prepaid expenses and other assets	65,169	67,909
Deferred income tax assets	40,361	36,810
Assets held-for-sale (Note 13)	133,371	86,050
Total current assets	2,084,184	1,898,255
Investments	96,814	87,914
Property, plant and equipment, net of accumulated depreciation of \$1,142,139 and \$1,117,461, respectively	912,935	943,030
Goodwill	407,247	407,247
Intangible assets, net	699,277	701,081
Other assets, net	208,720	219,463
Total assets	\$ 4,409,177	\$ 4,256,990
LIABILITIES AND EQUITY		
Accounts payable	\$ 562,790	\$ 521,330
Liabilities related to assets held-for-sale (Note 13)	22,098	
Accrued liabilities	557,177	642,481
Current portion of long-term debt, net	8,013	7,348
Notes payable	28,080	31,922
Total current liabilities	1,178,158	1,203,081
Long-term debt, net	1,545,036	1,564,325
Deferred income tax liabilities	254,095	244,324
Other long-term liabilities	520,915	428,476
Commitments and contingencies (Note 12)		
Shareholders' equity		
Preferred stock \$0.001 par value; 10,000 shares authorized, none issued or outstanding		
Common stock \$0.001 par value; 300,000 shares authorized, 88,604 and 88,611 shares issued and outstanding as of June 18, 2011 and January 1, 2011, respectively	89	89

Edgar Filing: DOLE FOOD CO INC - Form 10-Q

Additional paid-in capital	781,227	776,918
Retained earnings	153,889	71,083
Accumulated other comprehensive loss	(48,892)	(55,921)
Equity attributable to shareholders of Dole Food Company, Inc.	886,313	792,169
Equity attributable to noncontrolling interests	24,660	24,615
Total equity	910,973	816,784
Total liabilities and equity	\$ 4,409,177	\$ 4,256,990

See Accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents**DOLE FOOD COMPANY, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Half Year Ended	
	June 18, 2011	June 19, 2010
	(In thousands) (Unaudited)	
Operating Activities		
Net income	\$ 85,078	\$ 56,234
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	47,398	50,022
Share-based compensation expense	3,997	2,757
Net losses on financial instruments	37,238	8,043
Asset write-offs and net (gain) loss on sale of assets	4,222	(5,071)
Earnings from equity method investments	(4,690)	(4,283)
Amortization of debt discounts and debt issuance costs	5,228	4,764
Provision for long-term receivables		1,370
Write-off of debt issuance costs	20	4,650
Provision for deferred income taxes	11,875	(632)
Pension and other postretirement benefit plan expense	11,656	6,948
Other	35	852
Changes in operating assets and liabilities:		
Receivables	(98,222)	(67,434)
Inventories	(64,222)	26,837
Prepaid expenses and other assets	(336)	(324)
Income taxes	(4,796)	(1,829)
Accounts payable	62,709	30,651
Accrued liabilities	(5,096)	(3,586)
Other long-term liabilities	(15,125)	(19,006)
Cash flow provided by operating activities	76,969	90,963
Investing Activities		
Cash received from sales of assets and businesses, net of cash disposed	7,996	18,784
Capital expenditures	(35,946)	(31,823)
Restricted deposits	45,114	(890)
Other	(465)	(515)
Cash flow provided by (used in) investing activities	16,699	(14,444)
Financing Activities		
Short-term debt repayments, net of borrowings	(3,310)	(5,613)
Long-term debt borrowings	163,043	923,218
Long-term debt repayments	(182,975)	(906,222)
Payment of debt issuance costs		(16,986)
Payment of initial public offering costs		(957)
Net proceeds from stock option exercises	312	

Edgar Filing: DOLE FOOD CO INC - Form 10-Q

Dividends paid to noncontrolling interests	(2,250)	(1,268)
Settlement of long-term Japanese yen hedge forwards	(2,212)	
Cash flow used in financing activities	(27,392)	(7,828)
Effect of foreign currency exchange rate changes on cash	2,461	(3,015)
Increase in cash and cash equivalents	68,737	65,676
Cash and cash equivalents at beginning of period	170,147	