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Sara Lee Corp Form 10-Q May 08, 2012 Table of Contents

# **UNITED STATES**

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# **FORM 10-Q**

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012

OR

" TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-3344

# **Sara Lee Corporation**

(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of

36-2089049 (I.R.S. Employer

 $incorporation\ or\ organization)$ 

Identification No.)

3500 Lacey Road, Downers Grove, Illinois 60515

(Address of principal executive offices)

(Zip Code)

(630) 598-6000

(Registrant s telephone number, including area code)

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 x No "

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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 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of accelerated filer, large accelerated filer, smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer "

Non-accelerated filer "

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 x

On March 31, 2012, the Registrant had 593,440,433 outstanding shares of common stock \$.01 par value, which is the Registrant s only class of common stock.

#### SARA LEE CORPORATION AND SUBSIDIARIES

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#### SARA LEE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets at March 31, 2012 and July 2, 2011

#### (Unaudited)

In millions	March 31, July 2, 2012 2011	
Assets		
Cash and equivalents	\$ 2,655	\$ 2,066
Trade accounts receivable, less allowances	734	828
Inventories		
Finished goods	435	423
Work in process	34	36
Materials and supplies	438	425
	907	884
Current deferred income taxes	35	42
Other current assets	324	261
Assets held for sale	5	503
Total current assets	4,660	4,584
Property, net of accumulated depreciation of \$2,120 and \$2,057, respectively	1,300	1,380
Trademarks and other identifiable intangibles, net	400	282
Goodwill	599	624
Deferred income taxes	139	260
Pension asset	427	265
Other noncurrent assets	244	236
Noncurrent assets held for sale	5	1,902
	\$ 7,774	\$ 9,533
Liabilities and Equity		
Notes payable	\$ 187	\$ 238
Accounts payable	693	875
Income taxes payable and current deferred taxes	615	468
Other accrued liabilities	1,061	1,576
Current maturities of long-term debt	985	473
Liabilities held for sale		492
Total current liabilities	3,541	4,122
Long-term debt	954	1,935
Pension obligation	225	216
Deferred income taxes	211	179
Other liabilities	698	823
Noncurrent liabilities held for sale		284
Contingencies and commitments (Note 12)		
Equity	0.145	1.045
Sara Lee common stockholders equity	2,145	1,945
Noncontrolling interest		29

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Total Equity	2,145	1,974
	\$ 7,774	\$ 9,533

See accompanying Notes to Consolidated Financial Statements.

#### SARA LEE CORPORATION AND SUBSIDIARIES

#### Consolidated Statements of Income

#### For the Quarters and Nine Months ended March 31, 2012 and April 2, 2011

#### (Unaudited)

Infillione, except per share data         May 1, 200, 200, 200, 200, 200, 200, 200, 2		Quarter ended			Nine Months ended			
Control         \$1,899         \$1,860         \$5,923         \$5,525           Cost of sales         1,312         1,202         4,024         3,664           Selling, general and administrative expenses         488         436         1,101         1,08           Selling, general and administrative expenses         488         436         1,101         1,08           Selling, general and administrative expenses         48         436         1,101         1,08           Selling, general and administrative expenses         48         436         1,101         1,09           Impairment charges         66         94         278         826           Interest expense         29         25         88         87           Interest expense         29         25         88         87           Interest expense         48         178         221         405           Income from continuing operations before income taxes         48         178         221         405           Income from continuing operations before income taxes         38         124         37         273           Income from continuing operations         38         124         37         273           Income from continuing operations n			,					
Net sales         \$1,899         \$1,800         \$5,923         \$5,545           Cost of sales         1,312         1,206         4,024         3,664           Selling, general and administrative expenses         458         436         1,410         1,308           Net charges for exit activities, asset and business dispositions         66         194         278         26           Imperating income         66         194         278         26           Interest expense         29         25         88         87           Interest expense         (10)         9         31         221           Income from continuing operations before income taxes         48         178         221         405           Income from continuing operations before income taxes         48         178         221         405           Income from continuing operations         38         124         37         233           Discontinued operations met of tax expenses (benefit) of \$(23), \$8, \$(15) and \$(30)         40         32         215         30           Gain (loss) on sale of discontinued operations, net of tax expense of \$29, \$14, \$368 and \$576         (60)         29         403         608           Net income (loss) from discontinued operations		2	012	2	2011	2	012	2011
Cost of sales	0 1	<b>¢</b>	800	<b>¢</b> 1	1.860	¢ 4	5 023	¢ 5 5/15
Selling, general and administrative expenses         458         436         1,410         1,308           Net charges for exit activities, asset and business dispositions         63         4         179         47           Impairment charges         32         32         32           Operating income         66         194         278         526           Interest expense         29         25         88         87           Interest expense         (11)         (9)         (31)         (21)           Debt extinguishment costs         48         178         221         405           Income from continuing operations before income taxes         48         178         221         405           Income from continuing operations before income taxes         48         178         221         405           Income from continuing operations         38         124         37         273           Discontinued operations           Income (loss) from discontinued operations net of tax expense (benefit) of \$(23), \$8, \$(155) and \$(60)         20         3         (188)         302           Gain (loss) on sale of discontinued operations, net of tax expense of \$29, \$14, \$368 and \$576         (60)         29         403         608 <t< td=""><td>TVCL Sales</td><td>ψ.</td><td>1,099</td><td>ψ</td><td>1,000</td><td>ψ.</td><td>0,923</td><td>Ψ 5,545</td></t<>	TVCL Sales	ψ.	1,099	ψ	1,000	ψ.	0,923	Ψ 5,545
Selling, general and administrative expenses         458         436         1,410         1,308           Net charges for exit activities, asset and business dispositions         63         4         179         47           Impairment charges         32         25         88         87           Interest expense         29         25         88         87           Interest expense         (11)         09         (31)         (21)           Debt extinguishment costs         48         178         221         405           Income from continuing operations before income taxes         48         178         221         405           Income from continuing operations before income taxes         38         124         37         273           Discontinued operations         38         124         37         273           Discontinued operations         38         124         37         273           Discontinued operations         20         3         (188)         302           Gain (loss) on sale of discontinued operations, net of tax expense of \$29, \$14, \$368 and \$576         (60)         29         403         608           Net income (loss) from discontinued operations         2         156<	Cost of sales	1	1.312	1	1.226		1.024	3.664
Net charges for exit activities, asset and business dispositions         63         4         179         47           Impairment charges         32         32           Operating income         66         194         278         526           Interest expense         29         25         88         87           Interest income         (11)         09         31         (21)           Debt extinguishment costs         48         178         221         405           Income from continuing operations before income taxes         48         178         221         405           Income from continuing operations before income taxes         48         178         221         405           Income from continuing operations         38         124         37         273           Discontinued operations           Income (loss) from discontinued operations net of tax expense (benefit) of \$(23), \$8, \$(155) and \$(166)         20         3         (188)         302           Gain (loss) from discontinued operations, net of tax expense of \$29, \$14, \$368 and \$576         (60)         29         403         608           Net income (loss) from discontinued operations         (40)         32         215         910           Net income (loss) attributabl			,				,	
Impairment charges								
Operating income	•							
Interest expense	•							
Material informs	Operating income		66		194		278	526
Debt extinguishment costs			29		25		88	87
Income from continuing operations before income taxes	Interest income		(11)		(9)		(31)	(21)
Income tax expense         10         54         184         132           Income from continuing operations         38         124         37         273           Discontinued operations         20         3         188         302           Gion (loss) from discontinued operations net of tax expense (benefit) of \$(23), \$8, \$(155) and \$(60)         20         3         (188)         302           Gain (loss) on sale of discontinued operations, net of tax expense of \$29, \$14, \$368 and \$576         (60)         29         403         608           Net income (loss) from discontinued operations         (40)         32         215         910           Net income (loss) from discontinued operations         (2)         156         252         1,183           Less: Income from noncontrolling interests, net of tax         2         153         249         \$1,176           Net income (loss) attributable to Sara Lee         \$2         153         \$249         \$1,176           Amounts attributable to Sara Lee         \$38         \$124         \$37         \$273           Net income (loss) from discontinued operations         \$38         \$124         \$37         \$273           Net income (loss) from discontinued operations         \$38         \$124         \$37         \$273	Debt extinguishment costs							55
Income tax expense         10         54         184         132           Income from continuing operations         38         124         37         273           Discontinued operations         20         3         188         302           Gion (loss) from discontinued operations net of tax expense (benefit) of \$(23), \$8, \$(155) and \$(60)         20         3         (188)         302           Gain (loss) on sale of discontinued operations, net of tax expense of \$29, \$14, \$368 and \$576         (60)         29         403         608           Net income (loss) from discontinued operations         (40)         32         215         910           Net income (loss) from discontinued operations         (2)         156         252         1,183           Less: Income from noncontrolling interests, net of tax         2         153         249         \$1,176           Net income (loss) attributable to Sara Lee         \$2         153         \$249         \$1,176           Amounts attributable to Sara Lee         \$38         \$124         \$37         \$273           Net income (loss) from discontinued operations         \$38         \$124         \$37         \$273           Net income (loss) from discontinued operations         \$38         \$124         \$37         \$273								
Discontinued operations   38   124   37   273	Income from continuing operations before income taxes		48		178		221	405
Discontinued operations   Income (loss) from discontinued operations net of tax expense (benefit) of \$(23), \$8, \$(155) and \$(166)\$   20   3   (188)   302   302   302   303	Income tax expense		10		54		184	132
Discontinued operations   Income (loss) from discontinued operations net of tax expense (benefit) of \$(23), \$8, \$(155) and \$(166)\$   20   3   (188)   302   302   302   303								
Income (loss) from discontinued operations net of tax expense (benefit) of \$(23), \$8, \$(155) and \$(166)\$	Income from continuing operations		38		124		37	273
Income (loss) from discontinued operations net of tax expense (benefit) of \$(23), \$8, \$(155) and \$(166)\$								
\$(166) 20 3 (188) 302 Gain (loss) on sale of discontinued operations, net of tax expense of \$29, \$14, \$368 and \$576 (60) 29 403 608  Net income (loss) from discontinued operations (40) 32 215 910  Net income (loss)	Discontinued operations							
Gain (loss) on sale of discontinued operations, net of tax expense of \$29, \$14, \$368 and \$576         (60)         29         403         608           Net income (loss) from discontinued operations         (40)         32         215         910           Net income (loss)         (2)         156         252         1,183           Less: Income from noncontrolling interests, net of tax         3         3         7           Net income (loss) attributable to Sara Lee         \$ (2)         \$ 153         \$ 249         \$ 1,176           Amounts attributable to Sara Lee:         Net income from continuing operations         \$ 38         \$ 124         \$ 37         \$ 273           Net income (loss) from discontinued operations         (40)         29         212         903           Net income (loss) attributable to Sara Lee         \$ (2)         \$ 153         \$ 249         \$ 1,176           Earnings per share of common stock           Basic	Income (loss) from discontinued operations net of tax expense (benefit) of \$(23), \$8, \$(155) and							
Net income (loss) from discontinued operations         (40)         32         215         910           Net income (loss)         (2)         156         252         1,183           Less: Income from noncontrolling interests, net of tax         Discontinued operations         3         3         7           Net income (loss) attributable to Sara Lee         \$ (2)         \$ 153         \$ 249         \$ 1,176           Amounts attributable to Sara Lee:         Net income from continuing operations         \$ 38         \$ 124         \$ 37         \$ 273           Net income (loss) from discontinued operations         (40)         29         212         903           Net income (loss) attributable to Sara Lee         \$ (2)         \$ 153         \$ 249         \$ 1,176           Earnings per share of common stock           Basic			20		3		(188)	302
Net income (loss)         (2)         156         252         1,183           Less: Income from noncontrolling interests, net of tax         Discontinued operations         3         3         7           Net income (loss) attributable to Sara Lee         \$ (2)         \$153         \$249         \$1,176           Amounts attributable to Sara Lee:         Net income from continuing operations         \$ 38         \$124         \$37         \$273           Net income (loss) from discontinued operations         (40)         29         212         903           Net income (loss) attributable to Sara Lee         \$ (2)         \$153         \$ 249         \$ 1,176           Earnings per share of common stock           Basic	Gain (loss) on sale of discontinued operations, net of tax expense of \$29, \$14, \$368 and \$576		(60)		29		403	608
Net income (loss) Less: Income from noncontrolling interests, net of tax Discontinued operations  Net income (loss) attributable to Sara Lee  Amounts attributable to Sara Lee:  Net income from continuing operations  Net income (loss) from discontinued operations  Net income (loss) attributable to Sara Lee:  Sara Lee:  Net income (loss) from discontinued operations  Net income (loss) attributable to Sara Lee  \$ 20 \$ 153 \$ 249 \$ 1,176 \$ 273 \$								
Less: Income from noncontrolling interests, net of tax Discontinued operations  3 3 7  Net income (loss) attributable to Sara Lee  Amounts attributable to Sara Lee:  Net income from continuing operations  Net income (loss) from discontinued operations  Net income (loss) attributable to Sara Lee  Sara Lee:  Net income (loss) from discontinued operations  (40) 29 212 903  Net income (loss) attributable to Sara Lee  Earnings per share of common stock  Basic	Net income (loss) from discontinued operations		(40)		32		215	910
Less: Income from noncontrolling interests, net of tax Discontinued operations  3 3 7  Net income (loss) attributable to Sara Lee  Amounts attributable to Sara Lee:  Net income from continuing operations  Net income (loss) from discontinued operations  Net income (loss) attributable to Sara Lee  Sara Lee:  Net income (loss) from discontinued operations  (40) 29 212 903  Net income (loss) attributable to Sara Lee  Earnings per share of common stock  Basic								
Discontinued operations  Net income (loss) attributable to Sara Lee  Amounts attributable to Sara Lee:  Net income from continuing operations Net income (loss) from discontinued operations  Net income (loss) attributable to Sara Lee  Earnings per share of common stock Basic	Net income (loss)		(2)		156		252	1,183
Net income (loss) attributable to Sara Lee  Amounts attributable to Sara Lee:  Net income from continuing operations Net income (loss) from discontinued operations  Net income (loss) attributable to Sara Lee  Substitute (loss) from discontinued operations  Net income (loss) attributable to Sara Lee  Substitute (loss) attributable to Sara Lee	Less: Income from noncontrolling interests, net of tax							
Amounts attributable to Sara Lee:  Net income from continuing operations  Net income (loss) from discontinued operations  Net income (loss) attributable to Sara Lee  \$ (2) \$ 153 \$ 249 \$ 1,176  Earnings per share of common stock  Basic	Discontinued operations				3		3	7
Amounts attributable to Sara Lee:  Net income from continuing operations  Net income (loss) from discontinued operations  Net income (loss) attributable to Sara Lee  \$ (2) \$ 153 \$ 249 \$ 1,176  Earnings per share of common stock  Basic								
Net income from continuing operations \$ 38 \$ 124 \$ 37 \$ 273  Net income (loss) from discontinued operations (40) 29 212 903  Net income (loss) attributable to Sara Lee \$ (2) \$ 153 \$ 249 \$ 1,176  Earnings per share of common stock  Basic	Net income (loss) attributable to Sara Lee	\$	(2)	\$	153	\$	249	\$ 1,176
Net income from continuing operations \$ 38 \$ 124 \$ 37 \$ 273  Net income (loss) from discontinued operations (40) 29 212 903  Net income (loss) attributable to Sara Lee \$ (2) \$ 153 \$ 249 \$ 1,176  Earnings per share of common stock  Basic								
Net income from continuing operations \$ 38 \$ 124 \$ 37 \$ 273  Net income (loss) from discontinued operations (40) 29 212 903  Net income (loss) attributable to Sara Lee \$ (2) \$ 153 \$ 249 \$ 1,176  Earnings per share of common stock  Basic	Amounts attributable to Cone Logi							
Net income (loss) from discontinued operations  (40) 29 212 903  Net income (loss) attributable to Sara Lee \$ (2) \$ 153 \$ 249 \$ 1,176  Earnings per share of common stock Basic		•	38	Ф	124	Φ	37	\$ 273
Net income (loss) attributable to Sara Lee \$ (2) \$ 153 \$ 249 \$ 1,176  Earnings per share of common stock Basic	C 1	φ		φ		φ		
Earnings per share of common stock Basic	Net meome (1088) from discontinued operations		(40)		29		212	903
Earnings per share of common stock Basic	Nat income (loss) attributable to Sara Lee	•	(2)	Ф	153	Φ	240	¢ 1 176
Basic	130t meome (1058) attributable to Sala Lee	Φ	(2)	Φ	133	Φ	∠ <del>+</del> 7	φ 1,1/0
Basic								
Basic	Earnings per share of common stock							
Income from continuing operations $$0.06$ $$0.21$ $$0.06$ $$0.43$								
	Income from continuing operations	\$	0.06	\$	0.21	\$	0.06	\$ 0.43

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Net income (loss)	\$ 0.00	\$ 0.25	\$ 0.42	\$ 1.86
Average shares outstanding	593	605	592	632
Diluted				
Income from continuing operations	\$ 0.06	\$ 0.20	\$ 0.06	\$ 0.43
Net income (loss)	\$ 0.00	\$ 0.25	\$ 0.42	\$ 1.85
Average shares outstanding	597	609	595	635
Cash dividends declared per share of common stock	\$ 0.115	\$ 0.115	\$ 0.23	\$ 0.23

See accompanying Notes to Consolidated Financial Statements.

SARA LEE CORPORATION AND SUBSIDIARIES