

Mondelez International, Inc.
Form 10-Q
November 06, 2014
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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 September 30, 2014

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 1-16483

Mondelez International, Inc.

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of
incorporation or organization)

52-2284372
(I.R.S. Employer
Identification No.)

**Three Parkway North,
Deerfield, Illinois**
(Address of principal executive offices)

60015
(Zip Code)

Registrant's telephone number, including area code: **(847) 943-4000**

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Not Applicable

(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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

At October 31, 2014, there were 1,679,923,170 shares of the registrant's Class A common stock outstanding.

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<i>In this report, for all periods presented, we, us, our, the Company and Mondelez International refer to Mondelez International, Inc. and subsidiaries. References to Common Stock refer to our Class A common stock.</i>	

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****Mondelez International, Inc. and Subsidiaries****Condensed Consolidated Statements of Earnings****(in millions of U.S. dollars, except per share data)****(Unaudited)**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Net revenues	\$ 8,337	\$ 8,472	\$ 25,414	\$ 25,811
Cost of sales	5,195	5,328	15,963	16,194
Gross profit	3,142	3,144	9,451	9,617
Selling, general and administrative expenses	2,053	1,784	6,356	6,385
Asset impairment and exit costs	188	43	285	135
Gains on acquisition and divestitures, net				(28)
Amortization of intangibles	48	55	157	164
Operating income	853	1,262	2,653	2,961
Interest and other expense / (income)	(227)	218	717	732
Earnings before income taxes	1,080	1,044	1,936	2,229
Provision for income taxes	178	26	242	67
Net earnings	902	1,018	1,694	2,162
Noncontrolling interest	3	6	10	13
Net earnings attributable to Mondelez International	\$ 899	\$ 1,012	\$ 1,684	\$ 2,149
Per share data:				
Basic earnings per share attributable to Mondelez International	\$ 0.53	\$ 0.57	\$ 0.99	\$ 1.21
Diluted earnings per share attributable to Mondelez International	\$ 0.53	\$ 0.56	\$ 0.98	\$ 1.20
Dividends declared	\$ 0.15	\$ 0.14	\$ 0.43	\$ 0.40

See accompanying notes to the condensed consolidated financial statements.

Table of Contents**Mondelez International, Inc. and Subsidiaries****Condensed Consolidated Statements of Comprehensive Earnings**

(in millions of U.S. dollars)

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Net earnings	\$ 902	\$ 1,018	\$ 1,694	\$ 2,162
Other comprehensive earnings / (losses):				
Currency translation adjustment:				
Translation adjustment	(1,755)	774	(1,615)	(928)
Tax (expense) / benefit	(147)	39	(150)	9
Pension and other benefits:				
Net actuarial gain / (loss) arising during period	16	6	16	3
Reclassification of (gains) / losses into net earnings:				
Amortization of experience losses and prior service costs	31	48	100	145
Settlement losses / (gains)	9	(2)	25	3
Tax (expense) / benefit	(26)	(11)	(47)	(37)
Derivatives accounted for as hedges:				
Net derivative gains / (losses)	34	10	(78)	133
Reclassification of (gains) / losses into net earnings	(18)	8	(22)	52
Tax (expense) / benefit	14	(8)	57	(65)
Total other comprehensive earnings / (losses)	(1,842)	864	(1,714)	(685)
Comprehensive earnings / (losses)	(940)	1,882	(20)	1,477
less: Comprehensive earnings / (losses) attributable to noncontrolling interests	(15)	10	(9)	10
Comprehensive earnings / (losses) attributable to Mondelez International	\$ (925)	\$ 1,872	\$ (11)	\$ 1,467

See accompanying notes to the condensed consolidated financial statements.

Table of Contents**Mondelez International, Inc. and Subsidiaries****Condensed Consolidated Balance Sheets**

(in millions of U.S. dollars, except share data)

(Unaudited)

	September 30, 2014	December 31, 2013
ASSETS		
Cash and cash equivalents	\$ 1,704	\$ 2,664
Receivables (net of allowances of \$73 in 2014 and \$86 in 2013)	5,352	5,403
Inventories, net	4,122	3,743
Deferred income taxes	433	517
Other current assets	1,235	889
Total current assets	12,846	13,216
Property, plant and equipment, net	10,152	10,247
Goodwill	24,399	25,597
Intangible assets, net	21,110	21,994
Prepaid pension assets	65	54
Other assets	1,395	1,449
TOTAL ASSETS	\$ 69,967	\$ 72,557
LIABILITIES		
Short-term borrowings	\$ 1,807	\$ 1,636
Current portion of long-term debt	2,084	1,003
Accounts payable	5,184	5,345
Accrued marketing	1,920	2,318
Accrued employment costs	990	1,043
Other current liabilities	2,630	3,051
Total current liabilities	14,615	14,396
Long-term debt	13,988	14,482
Deferred income taxes	5,753	6,282
Accrued pension costs	1,826	1,962
Accrued postretirement health care costs	439	412
Other liabilities	2,390	2,491
TOTAL LIABILITIES	39,011	40,025
Commitments and Contingencies (Note 12)		
EQUITY		
Common Stock, no par value (1,996,537,778 shares issued in 2014 and 2013)		
Additional paid-in capital	31,612	31,396
Retained earnings	14,298	13,419
Accumulated other comprehensive losses	(4,584)	(2,889)
Treasury stock, at cost (316,781,314 shares at September 30, 2014 and 291,141,184 shares at December 31, 2013)	(10,482)	(9,553)

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Total Mondelez International Shareholders Equity	30,844	32,373
Noncontrolling interest	112	159
TOTAL EQUITY	30,956	32,532
TOTAL LIABILITIES AND EQUITY	\$ 69,967	\$ 72,557

See accompanying notes to the condensed consolidated financial statements.

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Mondelez International, Inc. and Subsidiaries
Condensed Consolidated Statements of Equity
(in millions of U.S. dollars, except per share data)
(Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Mondelez International Shareholders Equity Accumulated Other Comprehensive Earnings / (Losses)	Treasury Stock	Noncontrolling Interest	Total Equity
Balances at January 1, 2013	\$	\$ 31,548	\$ 10,551	\$ (2,666)	\$ (7,157)	\$ 140	\$ 32,416
Comprehensive earnings / (losses):							
Net earnings			3,915			20	3,935
Other comprehensive losses, net of income taxes				(223)			(223)
Exercise of stock options and issuance of other stock awards		10	(97)		343		256
Common Stock repurchased		(161)			(2,739)		(2,900)
Cash dividends declared (\$0.54 per share)			(950)				(950)
Dividends paid on noncontrolling interest and other activities		(1)				(1)	(2)
Balances at December 31, 2013	\$	\$ 31,396	\$ 13,419	\$ (2,889)	\$ (9,553)	\$ 159	\$ 32,532
Comprehensive earnings / (losses):							
Net earnings			1,684			10	1,694
Other comprehensive losses, net of income taxes				(1,695)		(19)	(1,714)
Exercise of stock options and issuance of other stock awards		232	(78)		283		437
Common Stock repurchased					(1,212)		(1,212)
Cash dividends declared (\$0.43 per share)			(727)				(727)
Dividends paid on noncontrolling interest and other activities		(16)				(38)	(54)
Balances at September 30, 2014	\$	\$ 31,612	\$ 14,298	\$ (4,584)	\$ (10,482)	\$ 112	\$ 30,956

See accompanying notes to the condensed consolidated financial statements.

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Mondelez International, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in millions of U.S. dollars)
(Unaudited)

	For the Nine Months Ended September 30,	
	2014	2013
CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES		
Net earnings	\$ 1,694	\$ 2,162
Adjustments to reconcile net earnings to operating cash flows:		
Depreciation and amortization	797	808
Stock-based compensation expense	104	98
Deferred income tax benefit	(255)	(176)
Gains on acquisition and divestitures, net		(28)
Asset impairments	77	36
Benefit from indemnification resolution		(385)
Loss on early extinguishment of debt	493	
Unrealized gain on planned coffee business divestiture currency hedge	(413)	
Other non-cash items, net	(28)	52
Change in assets and liabilities, net of acquisitions and divestitures:		
Receivables, net	(163)	(100)
Inventories, net	(625)	(502)
Accounts payable	19	(30)
Other current assets	(106)	17
Other current liabilities	(430)	(796)
Change in pension and postretirement assets and liabilities, net	(15)	42
Net cash provided by operating activities	1,149	1,198
CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES		
Capital expenditures	(1,129)	(1,028)
Acquisition, net of cash received		(119)
Proceeds from divestitures, net of disbursements		48
Cash received from Kraft Foods Group related to the Spin-Off		55
Other	29	29
Net cash used in investing activities	(1,100)	(1,015)
CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES		
Issuances of commercial paper, maturities greater than 90 days	1,986	726
Repayments of commercial paper, maturities greater than 90 days	(2,072)	(70)
Net (repayments) / issuances of other short-term borrowings, net	279	1,604
Long-term debt proceeds	3,032	
Long-term debt repaid	(2,524)	(1,750)
Repurchase of Common Stock	(1,020)	(793)
Dividends paid	(713)	(696)
Other	163	98

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Net cash used in financing activities	(869)	(881)
Effect of exchange rate changes on cash and cash equivalents	(140)	(85)
Cash and cash equivalents:		
Increase / (decrease)	(960)	(783)
Balance at beginning of period	2,664	4,475
Balance at end of period	\$ 1,704	\$ 3,692

See accompanying notes to the condensed consolidated financial statements.

Table of Contents**Mondelez International, Inc. and Subsidiaries****Notes to Condensed Consolidated Financial Statements****(Unaudited)****Note 1. Basis of Presentation**

The condensed consolidated financial statements include Mondelez International, Inc. as well as our wholly owned and majority owned subsidiaries.

Our interim condensed consolidated financial statements are unaudited. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been omitted. It is management's opinion that these financial statements include all normal and recurring adjustments necessary for a fair presentation of our financial position and operating results. Net revenues and net earnings for any interim period are not necessarily indicative of future or annual results.

We derived the condensed consolidated balance sheet data as of December 31, 2013 from audited financial statements, but do not include all disclosures required by U.S. GAAP. You should read these statements in conjunction with our consolidated financial statements and related notes in our Annual Report on Form 10-K for the year ended December 31, 2013.

Revision of Financial Statements:

In finalizing our 2013 results, we identified certain out-of-period, non-cash, income tax-related errors in prior interim and annual periods. These errors were not material to any previously reported financial results; however, we revised our 2013 interim and prior-year financial statements and accompanying notes in our Annual Report on Form 10-K for the year ended December 31, 2013, to reflect these items in the appropriate periods. The net effect of the revision was to lower tax expense in years prior to 2013. The impact of the revision for the nine months ended September 30, 2013 was a \$59 million reduction of net earnings. The impact of the revision to fiscal years prior to 2013 was an increase in cumulative net earnings of \$94 million.

We evaluated the cumulative impact of the errors on prior periods under the guidance in Accounting Standards Codification (ASC) 250-10, *Accounting Changes and Error Corrections*, and the guidance from the Securities and Exchange Commission (SEC) in Staff Accounting Bulletin (SAB) No. 99, *Materiality*. We also evaluated the impact of correcting the errors through an adjustment to our financial statements under the guidance in ASC 250-10 relating to SAB No. 108, *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements*. We concluded that these errors were not material, individually or in the aggregate, to any of the prior reporting periods and, therefore, amendments of previously filed reports were not required.

The effects of the revision on the condensed consolidated financial statements for the three and nine months ended September 30, 2013 are detailed below.

Condensed Consolidated Statement of Earnings

	For the Three Months Ended September 30, 2013			For the Nine Months Ended September 30, 2013		
	Reported	Correction	Revised	Reported	Correction	Revised
	(in millions, except per share data)					
Provision / (benefit) for income taxes	\$ 14	\$ 12	\$ 26	\$ 8	\$ 59	\$ 67
Net earnings	1,030	(12)	1,018	2,221	(59)	2,162
Net earnings attributable to Mondelez International	1,024	(12)	1,012	2,208	(59)	2,149
Net earnings attributable to Mondelez International:						
Per share, basic	\$ 0.58	\$ (0.01)	\$ 0.57	\$ 1.24	\$ (0.03)	\$ 1.21

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Condensed Consolidated Statement of Comprehensive Earnings

	For the Three Months Ended September 30, 2013			For the Nine Months Ended September 30, 2013		
	Reported	Correction	Revised	Reported	Correction	Revised
	(in millions)					
Net earnings	\$ 1,030	\$ (12)	\$ 1,018	\$ 2,221	\$ (59)	\$ 2,162
Translation adjustment	778	(4)	774	(931)	3	(928)
Total other comprehensive earnings / (losses)	868	(4)	864	(688)	3	(685)
Comprehensive earnings	1,898	(16)	1,882	1,533	(56)	1,477
Comprehensive earnings attributable to Mondelez International	1,888	(16)	1,872	1,523	(56)	1,467