NEWELL BRANDS INC
Form 10-K
March 04, 2019
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO

SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED	COMMISSION FILE NUMBER
DECEMBER 31, 2018	1-9608

NEWELL BRANDS INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	36-3514169

(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**

221 River Street

Hoboken, New Jersey	**07030**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (201) 610-6600

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	**NAME OF EACH EXCHANGE ON WHICH REGISTERED**
Common Stock, $1 par value per share	**Nasdaq Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of large accelerated filer, accelerated filer , smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	Accelerated Filer
Non-Accelerated Filer	Smaller Reporting Company
	Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

There were 422.8 million shares of the Registrant s Common Stock outstanding (net of treasury shares) as of January 31, 2019. The aggregate market value of the shares of Common Stock (based upon the share count and closing price on the New York Stock Exchange on June 30, 2018) beneficially owned by non-affiliates of the Registrant was approximately $12.5 billion. For purposes of the foregoing calculation only, which is required by Form 10-K, the Registrant has included in the shares owned by affiliates those shares owned by directors and officers of the Registrant, and such inclusion shall not be construed as an admission that any such person is an affiliate for any purpose.

* * *

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s Definitive Proxy Statement for its Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

Table of Contents

TABLE OF CONTENTS

PART I		1
	ITEM 1. BUSINESS	1
	ITEM 1A. RISK FACTORS	4
	ITEM 1B. UNRESOLVED STAFF COMMENTS	14
	ITEM 2. PROPERTIES	14
	ITEM 3. LEGAL PROCEEDINGS	15
	ITEM 4. MINE SAFETY DISCLOSURES	15
	SUPPLEMENTARY ITEM EXECUTIVE OFFICERS OF THE REGISTRANT	15
PART II		17
	ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	17
	ITEM 6. SELECTED FINANCIAL DATA	19
	ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	21
	ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	39
	ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	40
	ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	81
	ITEM 9A. CONTROLS AND PROCEDURES	81
	ITEM 9B. OTHER INFORMATION	82
PART III		83
	ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	83
	ITEM 11. EXECUTIVE COMPENSATION	83
	ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	83
	ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	83
	ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES	83
PART IV		84
	ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES	84
	ITEM 16. FORM 10-K SUMMARY	
SIGNATURES		

Table of Contents

PART I

ITEM 1. BUSINESS

Newell Brands or the Company refers to Newell Brands Inc. alone or with its wholly owned subsidiaries, as the context requires. When this report uses the words we, us or our, it refers to the Company and its subsidiaries unless the context otherwise requires. The Company was founded in Ogdensburg, New York in 1903 and is incorporated in Delaware. The Company s principal executive office is located at 221 River Street, Hoboken, New Jersey 07030, and the Company s telephone number is 201-610-6600.

Website Access to Securities and Exchange Commission Reports

The Company makes available free of charge on or through its website its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as practicable after the Company files them with, or furnishes them to, the U.S. Securities and Exchange Commission (SEC). The Company s Internet website can be found at *www.newellbrands.com*. The information on the Company s website is not incorporated by reference into this annual report on Form 10-K.

GENERAL

Newell Brands is a global marketer of consumer and commercial products that make life better every day, where they live, learn, work and play. Our products are marketed under a strong portfolio of leading brands, including Paper Mate®, Sharpie®, Dymo®, EXPO®, Parker®, Elmer s®, Coleman®, Marmot®, Oster®, Sunbeam®, FoodSaver®, Mr. Coffee®, Graco®, Baby Jogger®, NUK®, Calphalon®, Rubbermaid®, Contigo®, First Alert® and Yankee Candle®. The Company sells its products in nearly 200 countries around the world and has operations on the ground in nearly 100 of these countries.

STRATEGIC INITIATIVES

In 2018, Newell Brands announced its Accelerated Transformation Plan, which aims to accelerate value creation and more rapidly transform the portfolio to one best positioned to leverage the Company s advantaged capabilities in innovation, design and e-commerce. The Accelerated Transformation Plan is designed to significantly increase shareholder value through both strengthened operational and financial performance and deleveraging the balance sheet, while simultaneously returning capital to shareholders.

As part of the Company s Accelerated Transformation Plan, during 2018, the Company announced it was exploring strategic options for its industrial and commercial product assets, including The Waddington Group (Waddington), Process Solutions, Rubbermaid Commercial Products, Rexair and Mapa businesses, as well as non-core consumer businesses, including the Rawlings, Jostens, Pure Fishing, Rubbermaid Outdoor, Closet, Refuse and Garage, Goody Products and U.S. Playing Cards businesses. These businesses are classified as discontinued operations at December 31, 2018. Prior periods have been reclassified to conform with the current presentation. During 2018, the Company sold Goody Products, Inc. (Goody), Jostens, Inc. (Jostens), Pure Fishing, Inc. (Pure Fishing), the Rawlings Sporting Goods Company, Inc. (Rawlings) and Waddington Group, Inc. and various related subsidiaries as part of the Accelerated Transformation Plan. The Company expects to complete the remaining divestitures by the end of 2019.

Organizational Structure

In order to align reporting with the Company s Accelerated Transformation Plan, effective June 30, 2018, the Company is reporting its financial results in four segments as Food and Appliances, Home and Outdoor Living, Learning and Development and Other.

This new structure reflects the manner in which the chief operating decision maker regularly assesses information for decision-making purposes, including the allocation of resources. All prior periods have been reclassified to conform to the current reporting structure.

Table of Contents

The Company s three primary operating segments are as follows:

Segment	Key Brands	Description of Primary Products
Food and Appliances	Ball®, Calphalon®, Crock-Pot®, FoodSaver®, Mr. Coffee®, Oster®, Rubbermaid®, Sistema® and Sunbeam®	Household products, including kitchen appliances, gourmet cookware, bakeware and cutlery, food storage and home storage products and fresh preserving products
Home and Outdoor Living	Chesapeake Bay Candle®, Coleman®, Contigo®, ExOfficio®, First Alert®, Marmot®, WoodWick® and Yankee Candle®	Products for outdoor and outdoor-related activities, home fragrance products and connected home and security
Learning and Development	Aprica®, Baby Jogger®, Dymo®, Elmer s®, Expo®, Graco®, Mr. Sketch®, NUK®, Paper Mate®, Parker®, Prismacolor®, Sharpie®, Tigex® Waterman® and X-Acto®	Writing instruments, including markers and highlighters, pens and pencils; art products; activity-based adhesive and cutting products; labeling solutions; baby gear and infant care products

Food and Appliances

The Food and Appliances segment manufactures or sources, markets and distributes a diverse line of household products. Kitchen appliances and home environment products are primarily sold under the Crock-Pot®, FoodSaver®, Mr. Coffee®, Oster®, Sistema® and Sunbeam® trademarks. Aluminum and stainless steel cookware and bakeware are sold under the Calphalon® trademark. The Food and Appliances segment also has rights to sell various small appliance products, in substantially all of Europe under the Breville® brand name. Food storage products are sold primarily under the Rubbermaid® and Sistema® trademarks. The Food and Appliances segment also utilizes an extensive licensing strategy to extend the reach of the brands across categories, geographies and strategic product extensions.

The Food and Appliances segment primarily markets its products directly to club, department store, drug/grocery, mass merchant, specialty retailers, distributors and e-commerce companies.

Home and Outdoor Living

The Home and Outdoor Living segment manufactures or sources, markets and distributes global consumer active lifestyle products for outdoor and outdoor-related activities, home fragrance products and home security products. Active lifestyle products are sold primarily under the Coleman®, Contigo®, ExOfficio® and Marmot® trademarks. Home fragrance products are sold primarily under the Chesapeake Bay Candle®, WoodWick® and Yankee Candle® trademarks. Home security products are sold primarily sold under the First Alert® trademark.

The Home and Outdoor Living segment primarily markets its products directly to club, department store, drug/grocery, home centers, mass merchant, sporting goods and specialty retailers, distributors and e-commerce companies, as well as direct to consumers via on-line and Yankee Candle retail stores.

Learning and Development

The Learning and Development segment designs manufactures or sources, markets and distributes writing instruments, including markers and highlighters, pens and pencils; art products; activity-based adhesive and cutting

products; labeling solutions; baby gear and infant care products. Writing instruments, activity-based adhesive and cutting products and labeling solutions products are sold primarily under the Dymo®, Elmer's®, Expo®, Mr. Sketch®, Paper Mate®, Parker®, Prismacolor®, Sharpie®, Waterman® and X-Acto® trademarks. Baby gear and infant care and health products are sold primarily under the Baby Jogger®, Graco®, NUK® and Tigex® trademarks.

The Learning and Development segment primarily markets its products directly to mass merchants, warehouse clubs, drug/grocery stores, office superstores, office supply stores, contract stationers, travel retail, distributors and e-commerce companies, and direct to consumers on-line.

OTHER INFORMATION

Multi-Product Offering

The Company s broad product offering in multiple categories permits it to more effectively meet the needs of its customers. With families of leading brand names and profitable and innovative new products, the Company can assist volume purchasers in selling a more profitable product mix. As a potential single source for an entire product line, the Company can use program merchandising to improve product presentation, optimize display space for both sales and income, and encourage impulse buying by retail consumers.

Raw Materials and Sourced Finished Goods

The Company has multiple foreign and domestic sources of supply for substantially all of its material requirements. The raw materials and various purchased components required for its products have generally been available in sufficient quantities. The Company s product offerings require the purchase of resin, corrugate, glass, plastic, expanded polystyrene, extinguisher powder, nylon, paper, plastic resin, sawdust, tin plate, wax and wood, natural rubber, electrical components, glass fiber, magnesium, adhesives, various paper-related packaging materials and metals, including steel, stainless steel, aluminum and copper. The Company s resin purchases principally comprise polyethylene, polypropylene and copolyester.

The Company also relies on third-party manufacturers as a source for finished goods. Historically, the Company has experienced inflation in sourced product costs due to currency fluctuations and increased input and labor costs. For a limited number of product lines, a single manufacturer or a limited number of manufacturers may supply substantially all the finished goods for a product line. In particular, certain businesses within the Company s Learning and Development segment rely on third-party manufacturers for substantially all of their products. Specifically, the Baby division has a single source of supply for products that comprise a majority of sales and which owns the intellectual property for many of those products.

See Management s Discussion and Analysis of Financial Condition and Results of Operations section of this Annual Report on Form 10-K for further discussion.

Backlog

The dollar value of unshipped factory orders is not material.

Seasonal Variations

Sales of the Company s products tend to be seasonal, with sales, operating income and operating cash flow in the first quarter generally lower than any other quarter during the year, driven principally by reduced volume and the mix of products sold in the first quarter. The seasonality of the Company s sales volume combined with the accounting for fixed costs, such as depreciation, amortization, rent, personnel costs and interest expense, impacts the Company s results on a quarterly basis. In addition, the Company tends to generate the majority of its operating cash flow in the third and fourth quarters of the year due to seasonal variations in operating results, the timing of annual performance-based compensation payments, customer program payments, working capital requirements and credit terms provided to customers.

Patents and Trademarks

The Company has many patents, trademarks, brand names and trade names that are, in the aggregate, important to its business. The Company s most significant registered trademarks include Sharpie®, Paper Mate®, Elmer s®, Parker®, Waterman®, Dymo®, Prismacolor®, Rubbermaid®, Contigo®, Calphalon®, Graco®, Baby Jogger®, NUK®, Aprica®, Bionaire®, Coleman®, Crock-Pot®, First Alert®, FoodSaver®, Health o Meter®, Marmot®, Mr. Coffee®, Oster®, Rival®, Stearns®, Sistema®, Sunbeam®, Woodwick® and Yankee Candle®.

Customers/Competition

The Company s principal customers are large mass merchandisers, such as discount stores, home centers, warehouse clubs, office superstores, direct-to-consumer channels, specialty retailers and wholesalers, commercial distributors,

e-commerce companies and Yankee Candle retail stores. The dominant share of the market represented by large mass merchandisers, together with consumer shopping patterns, contributes to a market environment in which dominant multi-category retailers and e-commerce companies have strong negotiating power with suppliers. This environment may limit the Company s ability to recover cost increases through selling prices.

Current trends among retailers and e-commerce companies include fostering high levels of competition among suppliers, reducing current inventory levels, demanding innovative new products and products tailored to each of their unique requirements and requiring suppliers to maintain or reduce product prices and deliver products with shorter lead times. Other trends, in the absence of a strong new product development effort or strong end-user brands, are for retailers and e-commerce companies to import generic products directly from foreign sources and to source and sell products, under their own private label brands, which compete with the Company s products. The combination of these market influences has created an intensely competitive environment in which the Company s principal customers continuously evaluate which product suppliers to use, resulting in downward pricing pressures and the need for big, consumer-meaningful brands, the ongoing introduction and commercialization of innovative new products, continuing improvements in category management and customer service, and the maintenance of strong relationships with large, high-volume

purchasers. The Company competes with numerous manufacturers and distributors of consumer products, many of which are large and well-established. Our Yankee Candle retail stores compete primarily with specialty candle and personal care retailers and a variety of other retailers, including department stores, gift stores and national specialty retailers that carry candles.

The Company s principal methods of meeting its competitive challenges are creating and maintaining leading brands and differentiated products that deliver superior value and performance; delivering superior customer service and consistent on-time delivery and producing and procuring products at a competitive cost. In addition, the Company has experienced management that focuses on building consumer loyalty and increased consumer demand through increased investment in consumer insights and using those insights to develop innovative products and product features that meet consumers needs.

The Company has also positioned itself to respond to the competitive challenges in the retail environment by developing strong relationships with large, high-volume purchasers. The Company markets its strong multi-product offering through virtually every category of high-volume retailers, including discount, drug/grocery and variety chains; warehouse clubs; department, hardware and specialty stores; home centers; office superstores; contract stationers; and e-commerce companies. The Company s largest customer, Walmart Inc. and subsidiaries (Walmart), accounted for approximately 13.5%, 13.7% and 13.5% of net sales in 2018, 2017 and 2016, respectively, across substantially all segments. The Company s top-ten customers in 2018 included (*in alphabetical order*): amazon, Bed, Bath & Beyond, Costco, Lowe s, Kroger, Office Depot, Staples, Target, The Home Depot and Walmart.

Environmental Matters

Information regarding the Company s environmental matters is included in the Management s Discussion and Analysis of Financial Condition and Results of Operations section of this Annual Report on Form 10-K and in Footnote 20 of the Notes to Consolidated Financial Statements and is incorporated by reference herein.

Research and Development

The Company s research and development efforts focus on developing new, differentiated and innovative products to meet consumers needs. The Company s product development efforts begin with consumer insights. The Company continues to invest to strengthen its product design, research and development capabilities and has consolidated its design and innovation capabilities and consumer marketing and insight capabilities into a global center of excellence to further strengthen these capabilities. The Company s enhanced marketing and insight and research and development capabilities have been leveraged to implement a new ideation process throughout the business, resulting in idea fragments that feed the development of product concepts.

Employees

As of December 31, 2018, the Company had approximately 37,000 employees worldwide. Approximately 2,400 of the Company s employees are covered by collective bargaining agreements or are located in countries that have collective arrangements decreed by statute. Management believes that our relationships with our employees and collective bargaining unions are satisfactory.

ITEM 1A. RISK FACTORS

The ownership of the Company s common stock involves a number of risks and uncertainties. Potential investors should carefully consider the risks and uncertainties described below and the other information in this Annual Report

on Form 10-K before deciding whether to invest in the Company s securities. The Company s business, financial condition or results of operations could be materially adversely affected by any of these risks. The risks described below are not the only ones facing the Company. Additional risks that are currently unknown to the Company or that the Company currently considers to be immaterial may also impair its business or adversely affect its financial condition or results of operations.

The Company is subject to risks related to its dependence on the strength of retail, commercial and industrial sectors of the economy in various parts of the world.

The Company s business depends on the strength of the retail, commercial and industrial sectors of the economy in various parts of the world, primarily in North America, and to a lesser extent Europe, Latin America and Asia. These sectors of the economy are affected primarily by factors such as consumer demand and the condition of the retail industry, which, in turn, can be affected by specific events or general economic conditions, including worldwide or country-specific economic instability.

For example, uncertainty over the terms and timing of the United Kingdom s departure from the European Union has caused political and economic uncertainty in the United Kingdom and the rest of Europe, which could harm consumer demand and ultimately adversely impact the Company s business. Likewise, the failure of large employers to consistently pay workers similar to what recently occurred during the partial U.S. federal government shutdown, could also adversely affect consumer demand and the Company s business. Similarly, with continuing challenging global economic conditions, particularly outside of the U.S., and recent volatility in domestic and foreign equity markets, there has been considerable pressure on consumer demand, and the resulting impact

on consumer spending has had and may continue to have an adverse effect on demand for the Company s products, as well as its financial condition and results of operations. The Company could also be negatively impacted by economic crises in specific countries or regions. Such events could negatively impact the Company s overall liquidity and/or create significant credit risks relative to its local customers and depository institutions. Consumer demand and the condition of these sectors of the economy may also be impacted by other external factors such as war, terrorism, geopolitical uncertainties, public health issues, natural disasters and other business interruptions. The impact of these external factors is difficult to predict, and one or more of these factors could adversely impact the Company s business.

The Company is subject to intense competition in a marketplace dominated by large retailers and e-commerce companies.

The Company competes with numerous other manufacturers and distributors of consumer and commercial products, many of which are large and well-established. The Company s principal customers are large retailers such as discount stores, home centers, warehouse clubs, office superstores, commercial distributors and e-commerce companies. The dominant share of the market represented by these large mass merchandisers, together with changes in consumer shopping patterns, has contributed to the formation of dominant multi-category retailers and e-commerce companies that have strong negotiating power with suppliers. Current trends among retailers and e-commerce companies include fostering high levels of competition among suppliers, reducing inventory levels, demanding innovative new products and products tailored to each of their unique requirements, requiring suppliers to maintain or reduce product prices in response to competitive, economic or other factors, and requiring product delivery with shorter lead times. Other trends are for retailers and e-commerce companies to import products directly from foreign sources and to source and sell products under their own private label brands, typically at lower prices, that compete with the Company s products.

The combination of these market influences and retailer consolidation has created an intensely competitive environment in which the Company s principal customers continuously evaluate which product suppliers to use, resulting in downward pricing pressures and the need for big, consumer-meaningful brands, the ongoing introduction and commercialization of innovative new products, continuing improvements in category management and customer service, and the maintenance of strong relationships with large, high-volume purchasers. The Company also faces the risk of changes in the strategy or structure of its major customers, such as overall store and inventory reductions. The intense competition in the retail and e-commerce sectors may result in a number of customers experiencing financial difficulty, or failing in the future. For example, the Company s results were impacted negatively by the bankruptcy and liquidation of Toys R Us. In particular, a loss of, or a failure by, another one of the Company s large customers could adversely impact the Company s sales and operating cash flows. To address these challenges, the Company must be able to respond to competitive factors, and the failure to respond effectively could result in a loss of sales, reduced profitability and a limited ability to recover cost increases through price increases.

The Company s sales are dependent on purchases from several large customers and any significant decline in these purchases or pressure from these customers to reduce prices could have a negative effect on the Company s future financial performance.

The Company s customer base is relatively fragmented. Although the Company has long-established relationships with many customers, the Company generally does not have any long-term supply or binding contracts or guarantees of minimum purchases with its largest customers. Purchases by these customers are generally made using individual purchase orders. As a result, these customers may cancel their orders, change purchase quantities from forecast volumes, delay purchases for a number of reasons beyond the Company s control or change other terms of the business relationship. Significant or numerous cancellations, reductions, delays in purchases or changes in business practices by customers could have a material adverse effect on the Company s business, results of operations and financial

condition. In addition, because many of the Company s costs are fixed, a reduction in customer demand could have an adverse effect on the Company s gross profit margins and operating income.

The Company depends on a continuous flow of new orders from large, high-volume retail customers; however, the Company may be unable to continually meet the needs of these customers. Retailers are increasing their demands on suppliers to:

- reduce lead times for product delivery, which may require the Company to increase inventories and could impact the timing of reported sales;

- improve customer service, such as with direct import programs, whereby product is supplied directly to retailers from third-party suppliers; and

- adopt technologies related to inventory management such as Radio Frequency Identification, otherwise known as RFID technology, which may have substantial implementation costs.

The Company cannot provide any assurance that it can continue to successfully meet the needs of its customers. A substantial decrease in sales to any of its major customers could have a material adverse effect on the Company s business, results of operations and financial condition.

The Company s customers may further consolidate, which could materially adversely affect the Company s sales and margins.

The Company s customers have steadily consolidated over the last two decades. The Company expects any customers that consolidate will take actions to harmonize pricing from their suppliers, close retail outlets and rationalize their supply chain, which could adversely affect the Company s business and results of operations. There can be no assurance that, following consolidation, the Company s large customers will continue to buy from the Company across different product categories or geographic regions, or at the same levels as prior to consolidation, which could negatively impact the Company s financial results. Further, if the consolidation trend continues, it could result in future pricing and other competitive pressures that could reduce the Company s sales and margins and have a material adverse effect on the Company s business, results of operations and financial condition.

The Company s plans to integrate its acquired businesses and to improve productivity and reduce complexity and costs may not be successful, which would materially adversely affect its ability to compete.

The Company s success depends on its ability to integrate acquired businesses, to continuously improve its manufacturing operations to gain efficiencies, reduce supply chain costs and streamline or redeploy nonstrategic selling, general and administrative expenses in order to produce products at a best-cost position and allow the Company to invest in innovation and brand building, including advertising and promotion. The Company s Accelerated Transformation Plan and the Company s cost saving plans may not be completed substantially as planned, may be more costly to implement than expected, or may not result in, in full or in part, the positive effects anticipated. Both efforts are global initiatives designed to reduce the complexity of the organization and increase investment in the Company s most significant growth platforms, including through divestment of the Company s industrial and commercial product assets and non-core consumer businesses. It is also possible that other major productivity, streamlining and divestment programs may be required in the future. Also, the Company may not be able to successfully integrate acquired businesses, product lines, obtain related cost savings, or make operating income improvements within a reasonable amount of time. Such initiatives require the Company to implement a significant amount of organizational change, which could have a negative impact on employee engagement, divert management s attention from other concerns, and if not properly managed, impact the Company s ability to retain key employees, cause disruptions in the Company s day-to-day operations and have a negative impact on the Company s financial results.

If the Company is unable to commercialize a continuing stream of new products that create demand, the Company s ability to compete in the marketplace may be adversely impacted.

The Company s strategy includes investment in new product development and a focus on innovation. Its long-term success in the competitive retail environment and the industrial and commercial markets depends on its ability to develop and commercialize a continuing stream of innovative new products and line extensions that create demand. New product development and commercialization efforts, including efforts to enter markets or product categories in which the Company has limited or no prior experience, have inherent risks. These risks include the costs involved, such as development and commercialization, product development or launch delays, and the failure of new products and line extensions to achieve anticipated levels of market acceptance or growth in sales or operating income. The Company also faces the risk that its competitors will introduce innovative new products that compete with the Company s products. In addition, sales generated by new products or line extensions could cause a decline in sales of the Company s existing products. If new product development and commercialization efforts are not successful, the Company s financial results could be adversely affected.

If the Company does not continue to develop and maintain leading brands or realize the anticipated benefits of increased advertising and promotion spend, its operating results may suffer.

The Company s ability to compete successfully also depends increasingly on its ability to develop and maintain leading brands so that the Company s retail and other customers will need the Company s products to meet consumer demand. Leading brands allow the Company to realize economies of scale in its operations. The development and maintenance of such brands require significant investment in brand-building and marketing initiatives. While the Company plans to continue to increase its expenditures for advertising and promotion and other brand-building and marketing initiatives over the long term, the initiatives may not deliver the anticipated results and the results of such initiatives may not cover the costs of the increased investment.

Circumstances associated with divestitures and product line exits under the Accelerated Transformation Plan could adversely affect the Company s results of operations and financial condition.

On January 25, 2018, the Company announced that it will explore a series of strategic initiatives to accelerate its transformation plan, improve operational performance and enhance shareholder value (the Accelerated Transformation Plan). The components of that plan included exploring the sale of a number of its industrial, commercial and small consumer businesses such as The Waddington Group; Process Solutions; Rubbermaid Commercial Products; Mapa; Rawlings Sporting Goods Company, Inc., Goody Products, Inc., Rubbermaid Outdoor, Closet, Refuse and Garage; and The U.S. Playing Card Company. On May 4, 2018, the Company announced the expansion of its Accelerated Transformation Plan, adding Jostens and Pure Fishing to the list of divestitures previously announced.

Table of Contents

Pursuant to this plan, the Company sold the Rawlings Sporting Goods Company, Inc., The Waddington Group, Goody Products, Inc., Pure Fishing and Jostens during 2018. The Company is continuing the divestiture process in 2019 and may decide to sell or discontinue other businesses or products in the future based on an evaluation of performance and strategic fit. Divestitures or discontinuations of businesses or products may result in asset impairments, including those related to goodwill and other intangible assets, and losses upon disposition, both of which could have an adverse effect on the Company s results of operations and financial condition. In addition, the Company may encounter difficulty in finding buyers or executing alternative exit strategies at acceptable prices and terms and in a timely manner and prospective buyers may have difficulty obtaining financing. Divestitures and business discontinuations could involve additional risks, including the following:

- difficulties in the separation of operations, services, products and personnel;
- the diversion of management s attention from other business concerns;
- the retention of certain current or future liabilities in order to induce a buyer to complete a divestiture;
- the disruption of the Company s business; and
- the potential loss of key employees.

The Company may not be successful in managing these or any other significant risks that it may encounter in divesting or discontinuing a business or exiting product lines, which could have a material adverse effect on its business.

Failure to grow the Company s e-commerce business, and the cost of its increasing e-commerce investments, may materially adversely affect the Company s market position, net sales and financial performance.

The retail industry is rapidly evolving and consumers are increasingly embracing shopping online and through mobile commerce applications. As a result, the portion of total consumer expenditures with retailers occurring through digital platforms is increasing and the pace of this increase could accelerate. At the same time, the portion of retail business at traditional brick and mortar stores and shopping centers is decreasing.

The Company s Accelerated Transformation Plan, includes investments in e-commerce, and investments in technology initiatives may not adequately or effectively allow the Company to grow its e-commerce business, maintain or grow its overall market position or otherwise benefit the Company. As a result, the Company s market position, net sales and financial performance could be adversely affected. In addition, a greater concentration of e-commerce sales could result in a reduction in the amount of sales by the Company s other customers, which could, if not offset by a greater increase in e-commerce sales, materially adversely affect the business of the Company.

Furthermore, the cost of certain e-commerce and technology investments may adversely impact the Company s financial performance in the short-term and may adversely impact its financial performance over the longer term. There can be no assurance that investments in e-commerce infrastructure and technology will result in increased sales, through e-commerce or otherwise.

If we fail to remediate the material weakness in our internal control over financial reporting or are unable to maintain effective internal control over financial reporting, it could result in material misstatements in our financial statements, and our failure to meet our reporting and financial obligations, which in turn could have a negative impact on our financial condition.

In connection with the preparation of our Consolidated Financial Statements for the year ended December 31, 2018, management conducted an evaluation of the effectiveness of our disclosure controls and procedures and internal control over financial reporting and concluded that the disclosure controls and procedures and internal control over financial reporting were not effective as of December 31, 2018 due to a material weakness in internal control over financial reporting. The Company did not design and maintain effective controls over the accounting for the impact of divestitures. Specifically, the Company did not design and maintain effective controls to ensure deferred taxes were included completely and accurately in the carrying values of assets held for sale and the intraperiod tax allocation between continuing and discontinued operations was accurate. In addition, the Company did not design and maintain effective controls to ensure the current/noncurrent classification of assets held for sale was accurate. These deficiencies resulted in adjustments that were corrected in the assets and liabilities held for sale; loss from discontinued operations, net of tax; net loss and deferred income taxes accounts to the Company s condensed consolidated financial statements for the quarter ended September 30, 2018, the income tax benefit to continuing operations; loss from continuing operations and loss from discontinued operations, net of tax for the quarter and year ended December 31, 2018 as well as in the current/non-current classification of assets and liabilities held for sale in the prior year balance sheet, as presented in the December 31, 2018 financial statements. Additionally, these control deficiencies could result in a misstatement of the aforementioned accounts and disclosures that would result in a material misstatement of the annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, the Company s management has determined that these control deficiencies constitute a material weakness.

Under standards established by the PCAOB, a material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Table of Contents

Management is in the process of developing a full remediation plan and has begun enhancing certain controls to include refinements and improvements to the controls over the inputs used in divestiture calculations, as follows:

- enhancing the level of review of deferred tax balances for each business held for sale;
- supplementing the review of deferred tax balances by legal entity to ensure proper presentation for financial reporting purposes; and
- enhancing the held for sale footnote reconciliation process.

The material weakness will not be considered remediated until management designs and implements effective controls that operate for a sufficient period of time and management has concluded, through testing, that these controls are effective. The Company will monitor the effectiveness of its remediation plan and will refine its remediation plan, as needed.

We can give no assurance that the measures we take will remediate the material weakness or that additional material weaknesses will not arise in the future. Any failure to remediate the material weakness, or the identification of new material weaknesses in our internal control over financial reporting, could result in material misstatements in our financial statements that may continue undetected, negatively impact the public perception of the Company and our securities and cause us to fail to meet our reporting and financial obligations or incur significant additional costs to remediate the material weakness, each of which could harm our ability to raise capital on favorable terms in the future or otherwise have a negative impact on our financial condition.

The Company has substantial indebtedness which could materially and adversely affect the Company and its financial position, including decreasing its business flexibility, impacting its ratings and increasing its borrowing costs.

As of December 31, 2018, the Company had $7 billion in outstanding debt. During 2018, the Company reduced its debt from $10.6 billion and views paying down debt as a critical goal as the Company completes the divestitures contemplated under the Accelerated Transformation Plan. This is because the Company s substantial indebtedness has had, and could continue to have, important consequences for the Company, including:

- requiring the Company to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, which reduces the availability of its cash flow to fund working capital requirements, capital expenditures, future acquisitions, dividends, repurchases of the Company s common stock and other general corporate purposes;
- limiting the Company s flexibility in planning for, or reacting to, adverse business and economic conditions or changes in the Company s business and the industries in which it operates;
- placing the Company at a competitive disadvantage compared to its competitors that have less debt; and

limiting, along with the financial and nonfinancial covenants in the Company s debt documents, its ability to borrow additional funds.

In addition, if the Company is unable to timely reduce its level of indebtedness, the Company will be subject to increased demands on its cash resources, which could increase its total debt-to-capitalization ratios, decrease its interest coverage ratios, lower its credit ratings, result in a breach of covenants or otherwise adversely affect the business and financial results of the Company going forward.

An increase in interest rates could have a material adverse effect on the Company s business.

While the vast majority of the Company s debt is fixed, fluctuations in interest rates can increase borrowing costs on the portion that is variable and interest rate increases on this portion of the company s debt could have a material adverse effect on the Company s business. In response to the last global economic recession, extraordinary monetary policy actions of the U.S. Federal Reserve and other central banking institutions, including the utilization of quantitative easing, were taken to create and maintain a low interest rate environment. However, the U.S. Federal Reserve raised its benchmark interest rate nine times since December 2015, each time by a quarter of a percentage point. While it is unclear whether the U.S. Federal Reserve will maintain this pattern in the future, any such change or market expectation of such change may result in significantly higher long-term interest rates. Such a transition may be abrupt and may, among other things, reduce the availability and/or increase the costs of obtaining new debt and refinancing existing indebtedness.

Governmental investigations or actions by other third parties could have a material adverse effect on management and the Company s business operations.

The Company is subject to various federal, state and foreign laws and regulations. Responding to governmental investigations or actions by regulatory bodies may be both time-consuming and disruptive to the Company s operations and could divert the attention of management and key personnel from the Company s business operations. The impact of these and other investigations and lawsuits could have a material adverse effect on the Company s financial position and results of operations.

The Company s operating results can be adversely affected by changes in the cost or availability of raw materials, energy, transportation and other necessary supplies and services.

Pricing and availability of raw materials, energy, transportation and other necessary supplies and services for use in the Company s businesses can be volatile due to numerous factors beyond its control, including general, domestic and international economic conditions, natural disasters, labor costs, production levels, competition, consumer demand, import duties and tariffs and currency exchange rates. Specifically, recently enacted and contemplated tariffs on imports into the U.S. and exports to Canada, China and the European Union could increase costs for the Company. The U.S. government has announced its intention to increase some of the China tariffs from 10% to 25% if there is not a breakthrough in negotiations with the China government. The Company is working to mitigate the tariff exposure, in part through pricing, productivity and in some cases relocation. Any extension of tariffs to additional categories of goods or to additional importers or exporters could have a significant impact on the Company. This volatility can significantly affect the availability and cost of raw materials, energy, transportation and other supplies and services for the Company, and may, therefore, have a material adverse effect on the Company s business, results of operations and financial condition.

The Company s success is dependent, in part, on its continued ability to reduce its exposure to increases in those costs through a variety of programs, including periodic purchases, future delivery purchases, long-term contracts, sales price adjustments and certain derivative instruments, while maintaining and improving margins and market share. Also, the Company relies on third-party manufacturers as a source for its products. These manufacturers are also subject to price volatility and labor cost and other inflationary pressures, which may, in turn, result in an increase in the amount the Company pays for sourced products. During periods of rising prices of raw materials, there can be no assurance that the Company will be able to pass any portion of such increases on to customers. Conversely, when raw material prices decline, customer demands for lower prices could result in lower sale prices and, to the extent the Company has existing inventory, lower margins. As a result, fluctuations in raw material prices could have a material adverse effect on the Company s business, results of operations and financial condition.

Some of the products the Company manufactures require particular types of glass, metal, paper, plastic, resin, wax, wood or other materials. Supply shortages for a particular type of material can delay production or cause increases in the cost of manufacturing the Company s products. This could have a material adverse effect on the Company s business, results of operations and financial condition.

The Company s operations are dependent upon third-party vendors and suppliers whose failure to perform adequately could disrupt the Company s business operations.

The Company currently sources a significant portion of parts and products from third parties. The Company s ability to select and retain reliable vendors and suppliers who provide timely deliveries of quality parts and products will impact the Company s success in meeting customer demand for timely delivery of quality products. In many cases, the Company does not enter into long-term contracts with its primary vendors and suppliers, instead buying parts and products on a purchase order basis. As a result, the Company may be subject to unexpected changes in pricing or supply of products.

The ability of third-party suppliers to timely deliver finished goods and/or raw materials, and the ability of the Company s own facilities to timely deliver finished goods, may be affected by events beyond their control, such as inability of shippers to timely deliver merchandise due to work stoppages or slowdowns, or significant weather and health conditions affecting manufacturers and/or shippers. Any adverse change in the Company s relationships with its third-party suppliers, the financial condition of third-party suppliers, the ability of third-party suppliers to manufacture and deliver outsourced parts or products on a timely basis, or the Company s ability to import products from

third-party suppliers or its own facilities could have a material adverse effect on the Company s business, results of operations and financial condition.

In addition, the financial condition of the Company s vendors and suppliers may be adversely affected by general economic conditions, such as credit difficulties and the uncertain macroeconomic environment in recent years. In addition, in some instances the Company maintains single-source or limited-source sourcing relationships, either because multiple sources are not available or the relationship is advantageous due to performance, quality, support, delivery, capacity or price considerations. For example, certain businesses in the Baby division have a single source of supply for products that comprise a majority of their sales and which owns intellectual property rights in respect of many of those products. Should any of these single source suppliers fail to manufacture sufficient supply, go out of business or discontinue a particular component, the Company may not be able to find alternative vendors and suppliers in a timely manner, if at all. Any inability of the Company s vendors and suppliers to timely deliver quality parts and products or any unanticipated change in supply, quality or pricing of products could be disruptive and costly to the Company.

The Company cannot assure you that it could quickly or effectively replace any of its suppliers if the need arose, and the Company cannot assure you that it could retrieve tooling and molds possessed by any of its third-party suppliers. The Company s dependence on these few suppliers could also adversely affect its ability to react quickly and effectively to changes in the market for its products.

Changes in foreign, cultural, political and financial market conditions could impair the Company s international operations and financial performance.

Some of the Company s operations are conducted or products are sold in countries where economic growth has slowed, such as Brazil; or where economies have suffered economic, social and/or political instability or hyperinflation; or where the ability to repatriate funds has been significantly delayed or impaired. Current government economic and fiscal policies in these economies, including stimulus measures and currency exchange rates and controls, may not be sustainable and, as a result, the Company s sales or profits related to those countries may decline. The economies of other foreign countries important to the Company s operations could also suffer slower economic growth or economic, social and/or political instability or hyperinflation in the future. The Company s international operations (and particularly its business in emerging markets), including manufacturing and sourcing operations (and the international operations of the Company s customers), are subject to inherent risks which could adversely affect the Company, including, among other things:

- protectionist policies restricting or impairing the manufacturing, sales or import and export of the Company s products, including tariffs and countermeasures;
- new restrictions on access to markets;
- lack of developed infrastructure;
- inflation (including hyperinflation) or recession;
- devaluations or fluctuations in the value of currencies;
- changes in and the burdens and costs of compliance with a variety of laws and regulations, including the Foreign Corrupt Practices Act, tax laws, accounting standards, trade protection measures and import and export licensing requirements, environmental laws and occupational health and safety laws;
- social, political or economic instability;
- acts of war and terrorism;

- natural disasters or other crises;
- reduced protection of intellectual property rights;
- increases in duties and taxation;
- restrictions on transfer of funds and/or exchange of currencies;
- expropriation of assets or forced relocations of operations; and
- other adverse changes in policies, including monetary, tax and/or lending policies, encouraging foreign investment or foreign trade by host countries.

Should any of these risks occur, the Company s ability to manufacture, source, sell or export its products or repatriate profits could be impaired; the Company could experience a loss of sales and profitability from its international operations; and/or the Company could experience a substantial impairment or loss of assets, any of which could have a material adverse impact on the Company s business.

The Company has foreign currency translation and transaction risks that may materially adversely affect the Company s operating results, financial condition and liquidity.

The financial position and results of operations of many of the Company s international subsidiaries are initially recorded in various foreign currencies and then translated into U.S. Dollars at the applicable exchange rate for inclusion in the Company s financial statements. The strengthening of the U.S. Dollar against these foreign currencies ordinarily has a negative impact on the Company s reported sales, operating margin and operating income (and conversely, the weakening of the U.S. Dollar has a positive impact). For the year ended December 31, 2018, foreign currency negatively affected reported sales by approximately $15 million compared to prior year; however, the volatility of foreign exchange rates is unpredictable and could materially adversely affect the Company s operating results.

The Company realizes margin impacts from changes in foreign currency because the Company s costs for produced and sourced products are largely denominated in U.S. Dollars, and the Company s international operations generally sell the Company s products at prices denominated in local currencies. When local currencies decline in value relative to the U.S. Dollar in the regions in which the Company sells products whose costs are denominated in U.S. Dollars, the Company s international businesses would need to increase the local currency sales prices of the products and/or reduce costs through productivity or other initiatives in order to maintain the

Table of Contents

same level of profitability. The Company may not be able to increase the selling prices of its products in its international businesses due to market dynamics, competition or otherwise and may not realize cost reductions through productivity or other initiatives. As a result, gross margins and overall operating results of the Company s international businesses would be adversely affected when the U.S. Dollar strengthens.

See Management s Discussion and Analysis of Financial Condition and Results of Operations and Footnote 1 of the Notes to Consolidated Financial Statements for further information.

A failure of one or more key information technology systems, networks, processes, associated sites or service providers could have a material adverse impact on the Company s business or reputation.

The Company relies extensively on information technology (IT) systems, networks and services, including Internet sites, data hosting and processing facilities and tools and other hardware, software and technical applications and platforms, some of which are managed, hosted, provided and/or used by third parties or their vendors, to assist in conducting business. The various uses of these IT systems, networks and services include, but are not limited to:

- ordering and managing materials from suppliers;
- converting materials to finished products;
- shipping products to customers;
- marketing and selling products to consumers;
- collecting and storing customer, consumer, employee, investor and other stakeholder information and personal data, including data that may be subject to the General Data Protection Regulation of the European Union;
- processing transactions;
- summarizing and reporting results of operations;
- hosting, processing and sharing confidential and proprietary research, business plans and financial information;
- complying with regulatory, legal or tax requirements;

- providing data security; and
- handling other processes necessary to manage the Company s business.

Increased IT security threats and more sophisticated computer crime, including advanced persistent threats, computer viruses, ransomware, other types of malicious code, hacking, phishing and social engineering schemes designed to provide access to the Company s networks or data, pose a potential risk to the security of the Company s IT systems, networks and services, as well as the confidentiality, availability and integrity of the Company s data. The Company s operations, especially its retail operations, involve the storage and transmission of employees , customers and consumers proprietary information, such as credit card and bank account numbers. The Company s payment services may be susceptible to credit card and other payment fraud schemes, including unauthorized use of credit cards, debit cards or bank account information, identity theft or merchant fraud. If the IT systems, networks or service providers relied upon fail to function properly, or if the Company suffers a loss or disclosure of customers and consumers data, business or stakeholder information, due to any number of causes, ranging from catastrophic events to power outages to security breaches, and business continuity plans do not effectively address these failures on a timely basis, the Company may suffer interruptions in its ability to manage operations, a risk of government enforcement action, litigation and possible liability, and reputational, competitive and/or business harm, which may adversely impact the Company s results of operations and/or financial condition.

As techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, the Company may be unable to anticipate these techniques or implement adequate preventative measures. Furthermore, the Company s relationships with, and access provided to, third parties and their vendors may create difficulties in anticipating and implementing adequate preventative measures or fully mitigating harms after an attack or breach occurs.

If an actual or perceived breach of the Company s security occurs, the public perception of the effectiveness of the Company s security measures could be harmed and the Company could lose customers and consumers, which could adversely affect its business.

Impairment charges could have a material adverse effect on the Company s financial results.

During the year ended December 31, 2018, the Company recorded non-cash impairment charges related to goodwill and indefinite lived intangibles of $8.3 billion in continuing operations and $1.5 billion in discontinued operations. Future events may occur that would adversely affect the reported value of the Company s assets and require impairment charges. Such events may include, but are not limited to, divestitures of certain businesses, strategic decisions made in response to changes in economic and competitive conditions, the impact of the economic environment on the Company s sales and customer base, the unfavorable resolution of litigation, a material adverse change in the Company s relationship with significant customers or business partners, or a sustained decline in the Company s stock price. The Company continues to evaluate the impact of economic and other

developments on the Company and its business units to assess whether impairment indicators are present. Accordingly, the Company may be required to perform impairment tests based on changes in the economic environment and other factors, and these tests could result in impairment charges in the future. Given the Company s impairment charges in 2018, there is minimal difference between the estimated fair values and the carrying values of some of the Company s reporting units, increasing the possibility of future impairment charges.

The Company s businesses and operations are subject to regulation in the U.S. and abroad.

Changes in laws, regulations and related interpretations may alter the environment in which the Company does business. This includes changes in environmental, competitive and product-related laws, as well as changes in accounting standards, taxation and other regulations. Accordingly, the Company s ability to manage regulatory, tax and legal matters (including environmental, human resource, product liability, patent and intellectual property matters), and to resolve pending legal and environmental matters without significant liability could require the Company to record significant reserves in excess of amounts accrued to date or pay significant fines during a reporting period, which could materially impact the Company s results. In addition, new regulations may be enacted in the U.S. or abroad that may require the Company to incur additional personnel-related, environmental or other costs on an ongoing basis, significantly restrict the Company s ability to sell certain products, or incur fines or penalties for noncompliance, any of which could adversely affect the Company s results of operations.

As a U.S.-based multinational company, the Company is also subject to tax regulations in the U.S. and multiple foreign jurisdictions, some of which are interdependent. For example, certain income that is earned and taxed in countries outside the U.S. may not be taxed in the U.S. until those earnings are actually repatriated or deemed repatriated. If these or other tax regulations should change, the Company s financial results could be impacted.

The Company may incur significant costs in order to comply with environmental remediation obligations.

In addition to operational standards, environmental laws also impose obligations on various entities to clean up contaminated properties or to pay for the cost of such remediation, often upon parties that did not actually cause the contamination. Accordingly, the Company may be liable, either contractually or by operation of law, for remediation costs even if the contaminated property is not presently owned or operated by the Company, is a landfill or other location where it has disposed wastes, or if the contamination was caused by third parties during or prior to the Company s ownership or operation of the property. Given the nature of the past industrial operations conducted by the Company and others at these properties, there can be no assurance that all potential instances of soil or groundwater contamination have been identified, even for those properties where an environmental site assessment has been conducted. The Company does not believe that any of the Company s existing remediation obligations, including at third-party sites where it has been named a potentially responsible party, will have a material adverse effect upon its business, results of operations or financial condition. However, future events, such as changes in existing laws or policies or their enforcement, or the discovery of currently unknown contamination, may give rise to additional remediation liabilities that may be material. See Environmental Matters under Footnote 20 of the notes to the Company s consolidated financial statements in this Annual Report on Form 10-K for the year ended December 31, 2018 for a further discussion of these and other environmental-related matters.

The Company may not be able to attract, retain and develop key personnel.

The Company s success at implementing its Accelerated Transformation Plan and its future performance depends in significant part upon the continued service of its executive officers and other key personnel. The loss of the services of one or more executive officers or other key employees could have a material adverse effect on the Company s business, prospects, financial condition and results of operations. The Company s success also depends, in part, on its

continuing ability to attract, retain and develop highly qualified personnel. Competition for such personnel is intense, and there can be no assurance that the Company can retain its key employees or attract, assimilate and retain other highly qualified personnel in the future.

The resolution of the Company s tax contingencies may result in additional tax liabilities, which could adversely impact the Company s cash flows and results of operations.

The Company is subject to income tax in the U.S. and numerous jurisdictions outside the U.S. Significant estimation and judgment are required in determining the Company s worldwide provision for income taxes. In the ordinary course of the Company s business, there are many transactions and calculations where the ultimate tax determination is uncertain. The Company is regularly under audit by various worldwide tax authorities. Although the Company believes its tax estimates are reasonable, the final outcome of tax audits and related litigation could be materially different than that reflected in its historical income tax provisions and accruals. There can be no assurance that the resolution of any audits or litigation will not have an adverse effect on future operating results.

Table of Contents

The Company s business involves the potential for product recalls, product liability and other claims against it, which could affect its earnings and financial condition.

As a manufacturer and distributor of consumer products, the Company is subject to the United States Consumer Products Safety Act of 1972, as amended by the Consumer Product Safety Improvement Act of 2008, which empowers the Consumer Products Safety Commission to exclude from the market products that are found to be unsafe or hazardous, and similar laws under foreign jurisdictions. Under certain circumstances, the Consumer Products Safety Commission or comparable foreign agency could require the Company to repurchase or recall one or more of its products. Additionally, other laws and agencies, such as the National Highway Traffic Safety Administration, regulate certain consumer products sold by the Company in the United States and abroad, and more restrictive laws and regulations may be adopted in the future. Any repurchase or recall of the Company s products could be costly and damaging to the Company s reputation. If the Company were required to remove, or it voluntarily removed, its products from the market, the Company s reputation could be tarnished and the Company might have large quantities of finished products that it could not sell. The Company also faces exposure to product liability claims in the event that one of its products is alleged to have resulted in property damage, bodily injury or other adverse effects. In addition to the risk of substantial monetary judgments or fines or penalties that may result from any governmental investigations, product liability claims or regulatory actions could result in negative publicity that could harm the Company s reputation in the marketplace, adversely impact the value of its end-user brands, or result in an increase in the cost of producing the Company s products. Similar to product liability claims, the Company faces exposure to class action law suits related to the performance, safety or advertising of its products. Such class action suit could result in substantial monetary judgments, injunctions related to the sale of products and potentially tarnish the Company s reputation.

Although the Company maintains product liability insurance in amounts that it believes are reasonable, that insurance is, in most cases, subject to large self-insured retentions for which the Company is responsible, and the Company cannot assure you that it will be able to maintain such insurance on acceptable terms, if at all, in the future or that product liability claims will not exceed the amount of insurance coverage. Additionally, the Company does not maintain product recall insurance and may not have insurance coverage for claims asserted in class action lawsuits. As a result, product recalls or product liability claims could have a material adverse effect on the Company s business, results of operations and financial condition. In addition, the Company faces potential other types of litigation arising out of alleged defects in its products or otherwise, such as the previously noted class action lawsuits. The Company does not maintain insurance against many types of claims involving alleged defects in its products that do not involve personal injury or property damage. The Company spends substantial resources ensuring compliance with governmental and other applicable standards. However, compliance with these standards does not necessarily prevent individual or class action lawsuits, which can entail significant cost and risk. As a result, these types of claims could have a material adverse effect on the Company s business, results of operations and financial condition.

The Company s product liability insurance program is an occurrence-based program based on its current and historical claims experience and the availability and cost of insurance. The Company currently either self-insures or administers a high retention insurance program for most product liability risks. Historically, product liability awards have rarely exceeded the Company s individual per occurrence self-insured retention. The Company cannot assure you, however, that its future product liability experience will be consistent with its past experience or that claims and awards subject to self-insured retention will not be material.

See Footnote 20 of the notes to the consolidated financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2018 for a further discussion of these and other regulatory and litigation-related matters.

If the Company fails to adequately protect its intellectual property rights, competitors may manufacture and market similar products, which could adversely affect the Company s market share and results of operations.

The Company s success with its proprietary products depends, in part, on its ability to protect its current and future technologies and products and to defend its intellectual property rights, including its patent and trademark rights. If the Company fails to adequately protect its intellectual property rights, competitors may manufacture and market similar products.

The Company holds numerous design and utility patents covering a wide variety of products. The Company cannot be sure that it will receive patents for any of its patent applications or that any existing or future patents that it receives or licenses will provide competitive advantages for its products. The Company also cannot be sure that competitors will not challenge, invalidate or avoid the application of any existing or future patents that the Company receives or licenses. In addition, patent rights may not prevent competitors from developing, using or selling products that are similar or functionally equivalent to the Company s products.

A reduction in the Company s credit ratings could materially and adversely affect its business, financial condition and results of operations.

The Company s credit ratings impact the cost and availability of future borrowings and, accordingly, the Company s cost of capital. The Company s credit ratings reflect each rating organization s opinion of its financial strength, operating performance and ability to meet its debt obligations. For example, on February 20, 2019, Fitch downgraded the Company s Long-term issuer default Rating from BBB- to (BB+) and Short-term issuer default Rating to B from F3 . The Company cannot be sure that any of its current ratings will remain in effect for any given period of time or that a rating will not be lowered by a rating agency if, in its judgment, circumstances in the future so warrant. A downgrade by Moody s Investor Services, Inc. (Moody s) or Standard & Poor s Ratings Services (Standard & Poor s) which would reduce the Company s senior debt below investment-grade, would increase the

Company s borrowing costs, which would adversely affect the Company s financial results. Specifically, the interest rate payable on Notes issued in March 2016 are subject to adjustment from time to time if either Moody s or Standard & Poor s downgrades (or subsequently upgrades) its rating assigned to the Notes, though the interest on these notes will permanently cease to be subject to any adjustment (notwithstanding any subsequent decrease in ratings by either credit Rating Agency), if such Notes become rated Baa1 or higher by Moody s and BBB+ or higher by Standard & Poors, in each case with stable or positive outlook. In addition, in the event of a reduction in credit rating, the Company would likely be required to pay a higher interest rate in future financings, and its potential pool of investors and funding sources could decrease. If the Company s short-term ratings were to be lowered, it would limit, or eliminate entirely, the Company s access to the commercial paper market. The ratings from credit agencies are not recommendations to buy, sell or hold the Company s securities, and each rating should be evaluated independently of any other rating.

The level of returns on pension and postretirement plan assets and the actuarial assumptions used for valuation purposes could affect the Company s earnings and cash flows in future periods. Changes in government regulations could also affect the Company s pension and postretirement plan expenses and funding requirements.

The funding obligations for the Company s pension plans are impacted by the performance of the financial markets, particularly the equity markets, and interest rates. Funding obligations are determined under government regulations and are measured each year based on the value of assets and liabilities on a specific date. If the financial markets do not provide the long-term returns that are expected under the governmental funding calculations, the Company could be required to make larger contributions. The equity markets can be very volatile, and therefore the Company s estimate of future contribution requirements can change dramatically in relatively short periods of time. Similarly, changes in interest rates and legislation enacted by governmental authorities can impact the timing and amounts of contribution requirements. An adverse change in the funded status of the plans could significantly increase the Company s required contributions in the future and adversely impact its liquidity.

Assumptions used in determining projected benefit obligations and the fair value of plan assets for the Company s pension and postretirement benefit plans are determined by the Company in consultation with outside actuaries. In the event that the Company determines that changes are warranted in the assumptions used, such as the discount rate, expected long-term rate of return on assets, expected health care costs, or mortality rates, the Company s future pension and postretirement benefit expenses could increase or decrease. Due to changing market conditions or changes in the participant population, the assumptions that the Company uses may differ from actual results, which could have a significant impact on the Company s pension and postretirement liabilities and related costs and funding requirements.

Damage to the Company s reputation could have an adverse effect on the Company s business.

Maintaining the Company s strong reputation with consumers and suppliers worldwide is critical to the Company s continued success. Adverse publicity about the Company, its brands, corporate practices, or any other issue that may be associated with the Company, whether or not deserved, could jeopardize that reputation. Such adverse publicity could come from traditional sources such as government investigations or public or private litigation, but may also arise from negative comments on social media regarding the Company or its brands. Damage to the Company s reputation or a loss of consumer confidence in the Company s brands could adversely affect the Company s business, results of operations, cash flows and financial condition, as well as require resources to repair the harm.

A deterioration in labor relations could adversely impact the Company s global business.

As of December 31, 2018, the Company had approximately 37,000 employees worldwide. Approximately 2,400 of the Company s employees are covered by collective bargaining agreements or are located in countries that have collective arrangements decreed by statute. The Company periodically negotiates with certain unions representing Company employees and may be subject to work stoppages or may be unable to renew such collective bargaining agreements on the same or similar terms, or at all, all of which may have a material adverse effect on the business of the Company.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our corporate offices are located in leased office space in Hoboken, New Jersey, Atlanta, Georgia and Norwalk, Connecticut. The Company owns or leases and operates 33 facilities in the U.S. and 37 facilities outside the U.S. that are primarily used for manufacturing. The Company also owns or leases and operates 66 facilities in the U.S. and 54 facilities outside the U.S. that are primarily used as regional distribution centers and warehouses.

Table of Contents

At December 31, 2018, the Company and its subsidiaries lease or own facilities throughout the U.S., some of which have multiple buildings and warehouses encompassing approximately 31 million square feet. We lease or own international facilities encompassing approximately 14 million square feet primarily in Asia, Canada, Europe and Latin America.

Aside from the principal properties described above, the Company leases many offices worldwide for sales and administrative purposes. The Company leases approximately 545 Yankee Candle retail stores worldwide.

In general, our properties are well-maintained, considered adequate and are utilized for their intended purposes. See Footnote 8 of the Notes to Consolidated Financial Statements, Property, Plant and Equipment, which discloses amounts invested in land, buildings and machinery and equipment. Also, see Footnote 13 of the Notes to Consolidated Financial Statements, Commitments, to our Consolidated Financial Statements, which discloses the Company s operating lease commitments.

ITEM 3. LEGAL PROCEEDINGS

Information regarding legal proceedings is included in Footnote 20 of the Notes to Consolidated Financial Statements and is incorporated by reference herein.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

SUPPLEMENTARY ITEM EXECUTIVE OFFICERS OF THE REGISTRANT (AS OF JANUARY 1, 2019)

Name	Age	Present Position with the Company
Michael B. Polk	58	President and Chief Executive Officer
William A. Burke III	58	Executive Vice President, Chief Operating Officer
Christopher H. Peterson	52	Executive Vice President, Chief Financial Officer
Bradford R. Turner	46	Chief Legal and Administrative Officer and Corporate Secretary
Russell Torres	47	Group President

Michael B. Polk has been the President and Chief Executive Officer of the Company since May 2018. He served as Chief Executive Officer between April 2016 and May 2018 and served as President and Chief Executive Officer from July 2011 to April 2016. He joined the Company s Board of Directors in November 2009. Prior to joining the Company, Mr. Polk was President, Global Foods, Home & Personal Care, Unilever (a consumer packaged goods manufacturer and marketer) since 2010. He joined Unilever in 2003 as Chief Operating Officer, Unilever Foods USA and subsequently became President, Unilever USA in 2005. From 2007 to 2010, he served as President, Unilever Americas. Prior to joining Unilever, he spent 16 years at Kraft Foods Inc. and three years at The Procter & Gamble Company. At Kraft Foods, he was President, Kraft Foods Asia Pacific; President, Biscuits and Snacks Sector; and was a member of the Kraft Foods Management Committee. Mr. Polk also serves as a director of Colgate-Palmolive Company.

William A. Burke III has been Executive Vice President, Chief Operating Officer since January 2017 and served as President, Jarden Group from April 2016 to January 2017. Prior to this role, he served as Executive Vice President from January 2016 to March 2016; Executive Vice President and Chief Operating Officer from October 2012 to

December 2015; President, Newell Professional from January 2012 to September 2012; President, Tools, Hardware & Commercial Products from January 2009 through December 2011; and, President, Tools and Hardware from December 2007 to January 2009. Prior to these roles, he was President, North American Tools from 2004 through 2006. He served as President of the Company s Lenox division from 2003 through 2004. From 1982 through 2002, he served in a variety of positions with The Black & Decker Corporation (a manufacturer and marketer of power tools and accessories), culminating as Vice President and General Manager of Product Service.

Christopher H. Peterson has been the Executive Vice President, Chief Financial Officer of Newell Brands since December 2018 and served as the Executive Vice President and Chief Operating Officer, Operations of Revlon, Inc. (a global beauty company) from April 2018 to August 2018. Prior to that, Mr. Peterson served as Revlon s Chief Operating Officer, Operations & Chief Financial Officer from June 2017 until March 2018, and as Chief Operating Officer, Operations from April 2017 until June 2017. Prior to joining Revlon, Mr. Peterson held several senior management roles at Ralph Lauren Corporation (a designer, marketer and distributor of premium lifestyle products), including serving as President, Global Brands from April 2015 to May 2016, Executive Vice President, Chief Administrative Officer & Chief Financial Officer from November 2013 to March 2015 and Senior Vice President and Chief Financial Officer from September 2012 to November 2013. Previously, Mr. Peterson held several financial management positions at The Procter & Gamble Company (a global consumer products company) from 1992 to 2012.

Bradford R. Turner has been Chief Legal and Administrative Officer and Corporate Secretary since August 2017 and served as Chief Legal Officer and Corporate Secretary from April 2016 to August 2017. Prior to this role, he served as Senior Vice President, General Counsel and Corporate Secretary from March 2015 to March 2016. Mr. Turner joined the Company in 2004 and has served in various legal roles including Vice President and Deputy General Counsel from October 2011 to March 2015, and Group Vice President & General Counsel Office Products from June 2007 to October 2011.

Table of Contents

Russell Torres has been Group President since May 2018. Previously Mr. Torres served as Chief Transformation Officer since May 2016 where he was responsible for the company integration and cost reduction efforts and was responsible for the Waddington Group. Prior to joining the Company, Mr. Torres was a partner at Bain & Company where he led large scale consumer products transformations and merger integrations from June 2013 to April 2016. From June 2011 to June 2013, Mr. Torres was a senior executive at Mondelez International in its North American Business Unit.

Table of Contents

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company s common stock is listed on the Nasdaq Global Select Market (symbol: NWL). The Company transferred its listing from the New York Stock Exchange to the Nasdaq Global Select Market in December 2018. As of January 31, 2019, there were 10,320 stockholders of record.

Performance Graph

The following Performance Graph and related information shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates it by reference into such filing.

The graph below compares total stockholder return on the Company s common stock from December 31, 2013 through December 31, 2018 with the cumulative total return of (a) the Standard and Poor s (S&P) 500 Index, and (b) the DJ Consumer Goods Index, assuming a $100 investment made on December 31, 2013. Each of the three measures of cumulative total return assumes reinvestment of dividends, if applicable. The stock performance shown on the graph below is based on historical data and is not indicative of, or intended to forecast, possible future performance of the Company s common stock.

Table of Contents

ISSUER PURCHASES OF EQUITY SECURITIES

The following table provides information about the Company s purchases of equity securities during the quarter ended December 31, 2018:

Calendar Month	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs Repurchase Program (2)	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
October		$		$ 3,092,359,000
November	22,183,554	21.93	22,174,200	$ 2,606,068,000
December	21,825,000	23.36	21,825,000	$ 2,096,216,000
Total	44,008,554	22.64	43,999,200	

(1) All shares purchased by the Company during the three months ended December 31, 2018, other than those pursuant to the Company s share repurchase program (SRP), were acquired to satisfy employees tax withholding and payment obligations in connection with the vesting of awards of restricted stock units, which were purchased by the Company based on their fair market value on the vesting date. In November 2018, in addition to the shares purchased pursuant to the SRP, the Company purchased 9,353 shares (average price $20.18) in connection with the vesting of employee stock-based awards,

(2) Under the Company s SRP, the Company may repurchase shares of its common stock through a combination of 10b5-1 automatic trading plans, discretionary market purchases or in privately negotiated transactions. On June 11, 2018, the Company announced that its Board of Directors authorized a $2.5 billion increase in the then available amount under its existing SRP. Under the updated SRP, the Company is authorized to repurchase up to approximately $3.6 billion of its outstanding shares through the end of 2019. The average per share price for the shares purchased under the SRP for November and December 2018 were $21.93 and $23.36, respectively.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

The following is a summary of certain consolidated financial data relating to the Company. The summary has been derived in part from, and should be read in conjunction with, the Consolidated Financial Statements of the Company included elsewhere in this report and the schedules thereto. The selected financial data as of and for the years ended December 31, 2015 and 2014 were derived and updated to reflect discontinued operations from audited consolidated financial statements of the Company not included in this report.

	As of and for the Years Ended December 31,				
(in millions, except per share data)	2018 (1)	2017 (1)	2016 (1)	2015	2014
STATEMENTS OF OPERATIONS DATA (2) (3)					
Net sales	$ 8,630.9	$ 9,552.0	$ 9,181.1	$ 4,993.8	$ 4,004.2
Gross profit	3,008.8	3,263.0	2,970.9	1,935.5	1,606.7
Operating income (loss)	(7,828.5)	385.5	298.1	337.8	208.1
Income (loss) before income taxes	(8,267.7)	592.4	18.8	74.4	66.5
Income (loss) from continuing operations	(6,789.6)	2,170.8	(38.3)	103.2	134.6
Income (loss) income from discontinued operations	(128.3)	578.0	566.1	246.8	243.2
Net income (loss)	$ (6,917.9)	$ 2,748.8	$ 527.8	$ 350.0	$ 377.8
Earnings (loss) per share:					
Basic:					
Income (loss) from continuing operations	$ (14.33)	$ 4.46	$ (0.09)	$ 0.38	$ 0.49
Income (loss) from discontinued operations (3)	(0.27)	1.19	1.34	0.92	0.88
Net income (loss)	$ (14.60)	$ 5.65	$ 1.25	$ 1.30	$ 1.37
Diluted:					
Income (loss) from continuing operations	$ (14.33)	$ 4.45	$ (0.09)	$ 0.38	$ 0.49
Income (loss) from discontinued operations	(0.27)	1.18	1.34	0.91	0.87
Net income (loss)	$ (14.60)	$ 5.63	$ 1.25	$ 1.29	$ 1.36
Dividends	$ 0.92	$ 0.88	$ 0.76	$ 0.76	$ 0.66
BALANCE SHEET DATA					
Inventories, net	$ 1,583.1	$ 1,662.4	$ 1,389.9	$ 643.7	$ 544.2
Working capital (4)	4,418.8	5,818.0	3,192.5	506.4	404.8
Total assets	17,716.4	33,135.5	33,834.8	7,211.4	6,564.3
Short-term debt, including current portion of long-term debt	318.7	661.8	600.4	388.8	397.4
Long-term debt, net of current portion	6,696.3	9,889.2	11,286.9	2,621.0	2,084.5
Total stockholders equity	5,277.8	14,181.3	11,384.4	1,826.4	1,854.9

(1) Supplemental data regarding 2018, 2017 and 2016 is provided in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations. During the year ended December 31, 2018, the Company recorded non-cash impairment charges related to goodwill and indefinite-lived intangibles of $8.3 billion in continuing operations and $1.5 billion in discontinued operations.

(2) The results of Chesapeake Bay Candle, Sistema Plastics, Smith Mountain Industries, Jarden Corporation, Elmer s Products, Inc., Baby Jogger Holdings, Inc., bubba brands. and Ignite Holdings, LLC are included from their dates

of acquisition of September 2017, April 2017, January 2017, April 2016, October 2015, December 2014, October 2014 and September 2014, respectively.

(3) The results of the Company s winter sports business, tools business, Décor business and Rubbermaid® medical cart business were included in continuing operations up until their dates of disposition of July 2017, March 2017, June 2016 and August 2015, respectively. Also, at various dates during 2017, the Company sold a number of smaller businesses, including its Rubbermaid® consumer storage totes business, its Teutonia® stroller business, its Lehigh business, its Firebuilding business and its triathlon apparel business, the results of which, were included in continuing operations up until their respective dates of disposition. The results of the Company s Jostens business, Pure Fishing business, Goody business, Team Sports business and Waddington business, were included in discontinued operations up until their dates of disposition of December 2018, December 2018, August 2018, June 2018 and June 2018, respectively.

(4) Working capital is defined as current assets less current liabilities.

Table of Contents

Selected Quarterly Financial Data (Unaudited)

(in millions, except per share amounts)	First Quarter	Second Quarter	Third Quarter (2)	Fourth Quarter (3)	Total
2018					
Net sales	$ 1,811.5	$ 2,201.6	$ 2,277.2	$ 2,340.6	$ 8,630.9
Gross profit	$ 605.3	$ 774.8	$ 817.0	$ 811.7	$ 3,008.8
Income (loss) from continuing operations	$ (54.7)	$ (76.4)	$ (6,795.3)	$ 136.8	$ (6,789.6)
Income (loss) from discontinued operations	108.0	208.1	(515.7)	71.3	(128.3)
Net income (loss)	$ 53.3	$ 131.7	$ (7,311.0)	$ 208.1	$ (6,917.9)
Earnings per share (1):					
Basic:					
Income (loss) from continuing operations	$ (0.11)	$ (0.16)	$ (14.43)	$ 0.30	$ (14.33)
Income (loss) from discontinued operations	0.22	0.43	(1.09)	0.16	(0.27)
Net income (loss)	$ 0.11	$ 0.27	$ (15.52)	$ 0.46	$ (14.60)
Diluted:					
Income (loss) from continuing operations	$ (0.11)	$ (0.16)	$ (14.43)	$ 0.30	$ (14.33)
Income (loss) from discontinued operations	0.22	0.43	(1.09)	0.16	(0.27)
Net income (loss)	$ 0.11	$ 0.27	$ (15.52)	$ 0.46	$ (14.60)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter (4)	Total
2017					
Net sales	$ 2,087.4	$ 2,508.8	$ 2,466.6	$ 2,489.2	$ 9,552.0
Gross profit	$ 707.8	$ 876.5	$ 864.9	$ 813.8	$ 3,263.0
Income from continuing operations	$ 545.0	$ 15.9	$ 111.1	$ 1,498.8	$ 2,170.8
Income from discontinued operations	93.5	207.1	123.3	154.1	578.0
Net income	$ 638.5	$ 223.0	$ 234.4	$ 1,652.9	$ 2,748.8
Earnings per share (1):					
Basic:					
Income from continuing operations	$ 1.13	$ 0.03	$ 0.23	$ 3.07	$ 4.46
Income from discontinued operations	0.19	0.43	0.25	0.32	1.19
Net income	$ 1.32	$ 0.46	$ 0.48	$ 3.39	$ 5.65
Diluted:					
Income from continuing operations	$ 1.12	$ 0.03	$ 0.23	$ 3.07	$ 4.45
Income from discontinued operations	0.19	0.43	0.25	0.31	1.18

Net income	$ 1.31	$ 0.46	$ 0.48	$ 3.38	$ 5.63

(1) Earnings per share calculations each quarter are based on weighted average number of shares outstanding each period, and the sum of the quarterly amounts may not necessarily equal the annual earnings per share amounts.

(2) The results of operations for the third quarter of 2018 includes $8.1 billion non-cash charge for the impairment of goodwill and intangibles in continuing operations and $629 million non-cash charge for the impairment of goodwill and intangibles in discontinued operations (see Footnotes 4 and 9 of the Notes to the Consolidated Financial Statements).

(3) The results of operations for the fourth quarter of 2018 includes a $156 million non-cash charge for the impairment of intangibles in continuing operations and $385 million non-cash charge for the impairment of goodwill and intangibles in discontinued operations. (See Footnotes 4 and 9 of the Notes to Consolidated Financial Statements).

(4) As a result of the Tax Cuts and Jobs Act in the United States, during the fourth quarter of 2017, the Company recorded a deferred tax benefit of $1.5 billion due to statutory tax rate changes and an $87.2 million of tax benefit to reverse the Company s APB 23 liability on historical Jarden earnings, partially offset by a $195 million tax expense relating to a mandatory repatriation tax.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the Company s consolidated results of operations and financial condition. The discussion should be read in conjunction with the accompanying Consolidated Financial Statements and Notes thereto.

Business Overview

Newell Brands is a leading global consumer goods company with a strong portfolio of well-known brands, including Paper Mate®, Sharpie®, Dymo®, EXPO®, Parker®, Elmer s®, Coleman®, Marmot®, Oster®, Sunbeam®, FoodSaver®, Mr. Coffee®, Graco®, Baby Jogger®, NUK®, Calphalon®, Rubbermaid®, Contigo®, First Alert® and Yankee Candle®. For hundreds of millions of consumers, Newell Brands makes life better every day, where they live, learn, work and play.

Business Strategy

In 2018, Newell Brands announced its Accelerated Transformation Plan, which aims to accelerate value creation and more rapidly transform the portfolio to one best positioned to leverage the Company s advantaged capabilities in innovation, design and e-commerce. The Accelerated Transformation Plan is designed to significantly increase shareholder value through both strengthened operational and financial performance, while simultaneously deleveraging the balance sheet and returning capital to shareholders.

As part of the Company s Accelerated Transformation Plan, during 2018, the Company announced it was exploring strategic options for its industrial and commercial product assets, including The Waddington Group, Process Solutions, Rubbermaid Commercial Products, Rexair and Mapa businesses, as well as non-core consumer businesses, including Rawlings, Jostens, Pure Fishing, Rubbermaid Outdoor, Closet, Refuse and Garage, Goody Products and U.S. Playing Cards businesses. These businesses are classified as discontinued operations at December 31, 2018. Prior periods have been reclassified to conform with the current presentation. During 2018, the Company sold Goody Products, Inc. (Goody), Jostens, Inc. (Jostens), Pure Fishing, Inc. (Pure Fishing), the Rawlings Sporting Goods Company, Inc. (Rawlings) and Waddington Group, Inc. (Waddington) and various other subsidiaries as part of the Accelerated Transformation Plan. The Company expects to complete the remaining divestitures by the end of 2019.

The Company expects to incur costs and expenses in connection with the transformation of the portfolio of businesses as part of the Accelerated Transformation Plan.

Organizational Structure

In order to align reporting with the company s Accelerated Transformation Plan, effective June 30, the Company is reporting its financial results in four segments as Food and Appliances, Home and Outdoor Living, Learning and Development and Other.

This new structure reflects the manner in which the chief operating decision maker regularly assesses information for decision-making purposes, including the allocation of resources. All prior periods have been reclassified to conform to the current reporting structure.

The Company s three primary operating segments are as follows:

Segment	Key Brands	Description of Primary Products
Food and Appliances	Ball®, Calphalon®, Crock-Pot®, FoodSaver®, Mr. Coffee®, Oster®, Rubbermaid®, Sistema® and Sunbeam®	Household products, including kitchen appliances, gourmet cookware, bakeware and cutlery, food storage and home storage products and fresh preserving products
Home and Outdoor Living	Chesapeake Bay Candle®, Coleman®, Contigo®, ExOfficio®, First Alert®, Marmot®, WoodWick® and Yankee Candle®	Products for outdoor and outdoor-related activities, home fragrance products and connected home and security
Learning and Development	Aprica®, Baby Jogger®, Dymo®, Elmer's®, Expo®, Graco®, Mr. Sketch®, NUK®, Paper Mate®, Parker®, Prismacolor®, Sharpie®, Tigex® Waterman® and X-Acto®	Writing instruments, including markers and highlighters, pens and pencils; art products; activity-based adhesive and cutting products; labeling solutions; baby gear and infant care products

Summary of Significant 2018 Activities

On June 11, 2018, the Company announced that its Board of Directors authorized an increase in the then available amount under its existing Stock Repurchase Program (SRP). Under the updated SRP, the Company is authorized to repurchase up to approximately $3.6 billion of its outstanding shares through the end of 2019. During 2018, the Company repurchased approximately $1.5 billion of its shares of common stock (see Capital Resources).

During 2018, the Company completed the sale of its Goody business, Jostens, Pure Fishing, Team Sports business, as well as the Rawlings brand, and its Waddington business (collectively, the Divestitures).

During 2018, the Company repurchased approximately $2.6 billion aggregate principal amount of its senior notes (see Capital Resources).

The Company recorded non-cash impairment charges related to goodwill and indefinite lived intangibles of $8.3 billion in continuing operations and $1.5 billion in discontinued operations.

Acquisitions

2017 Activity

In September 2017, the Company acquired Chesapeake Bay Candle, a leading developer, manufacturer and marketer of premium candles and other home fragrance products, focused on consumer wellness and natural fragrance, for a cash purchase price of approximately $75 million. Chesapeake Bay Candle is included in the Home and Outdoor Living segment from the date of acquisition.

In April, 2017, the Company acquired Sistema Plastics, a leading New Zealand based manufacturer and marketer of innovative food storage containers with strong market shares and presence in Australia, New Zealand, U.K. and parts of continental Europe for a cash purchase price of approximately $472 million. Sistema is included in the Food and Appliances segment from the date of acquisition.

In January 2017, the Company acquired Smith Mountain Industries (Smith Mountain), a leading provider of premium home fragrance products, sold primarily under the WoodWick® Candle brand, for a cash purchase price of approximately $100 million. Smith Mountain is included in the Home and Outdoor Living segment from the date of acquisition.

2016 Activity

On April 15, 2016, the Company acquired Jarden for total consideration of $18.7 billion including cash paid, shares issued and debt assumed, net of cash acquired (the Jarden Acquisition). The total consideration paid or payable for shares of Jarden common stock was approximately $15.3 billion, including $5.4 billion of cash and $9.9 billion of the Company s common stock. Jarden s results of operations are included in the Company s results of operations since the acquisition date.

Divestitures

2018 Activity

On June 29, 2018, the Company sold Rawlings, its Team Sports business, to a fund managed by Seidler Equity Partners with a co-investment of Major League Baseball for approximately $400 million, subject to customary working capital and transaction adjustments. As a result, during 2018, the Company recorded a pretax loss of $128 million, which is included in the income (loss) from discontinued operations.

On June 29, 2018, the Company sold Waddington to Novolex Holdings LLC for approximately $2.3 billion, subject to customary working capital and transaction adjustments. As a result, during 2018, the Company recorded a pretax gain of $599 million, which is included in the income (loss) from discontinued operations.

On August 31, 2018, the Company sold its Goody business, to a fund managed by ACON Investments, L.L.C. for approximately $109 million, subject to customary working capital and transaction adjustments. As a result, during 2018, the Company recorded a pretax gain of $20.3 million, which is included in the income (loss) from discontinued operations.

On December 21, 2018, the Company sold Jostens to Platinum Equity for approximately $1.3 billion, subject to customary working capital and transaction adjustments. As a result, during 2018, the Company recorded a pretax loss of $32.1 million, which is included in the income (loss) from discontinued operations.

On December 21, 2018, the Company sold Pure Fishing to Sycamore Partners for approximately $1.3 billion, subject to customary working capital and transaction adjustments. As a result, during 2018, the Company recorded a pretax gain of $372 million, which is included in the income (loss) from discontinued operations.

During 2018, the Company recorded an impairment charge primarily related to goodwill and intangible assets totaling $1.5 billion, respectively, which is included in the income (loss) from discontinued operations, primarily related to the write-down of the carrying value of the net assets of certain held for sale businesses based on their estimated fair value.

2017 Activity

On July 14, 2017, the Company sold its Winter Sports business for a selling price of approximately $240 million, subject to working capital and transaction adjustments. For 2017, net sales from the Winter Sports business were not material. During 2017, the Company recorded an impairment charge of $59.1 million related to the write-down of the carrying value of the net assets of the Winter Sports business to their estimated fair market value.

During 2017, the Company sold its Rubbermaid® consumer storage totes business, its stroller business under the Teutonia® brand, its Lehigh business, its Firebuilding business and its triathlon apparel business under the Zoot® and Squadra® brands. The selling prices for these businesses were not significant. During 2017, the Company recorded impairment charges of $15.3 million related to the write down of the carrying value of the net assets of the Firebuilding and Teutonia® stroller businesses to their estimated fair market value.

In March 2017, the Company sold its Tools business, including the Irwin®, Lenox® and Hilmor® brands. The selling price was $1.95 billion, subject to customary working capital and transaction adjustments. As a result, during 2017, the Company recorded a pretax gain of $771 million, which is included in other (income) expense, net. Net sales for the Tools business in 2017 were not material.

2016 Activity

In June 2016, the Company sold its Décor business, including Levolor® and Kirsch® window coverings and drapery hardware, for consideration, net of fees of approximately $224 million, resulting in a pretax gain of $160 million, which is included in other (income) expense, net for 2016.

Subsequent Event

On February 25, 2019, the Company signed a definitive agreement to sell its Rexair business to investment funds affiliated with Rhône Group for $235 million, subject to customary working capital and transaction adjustments. The transaction is expected to close by the end of the second quarter 2019, subject to customary closing conditions, including regulatory approvals.

Ongoing Restructuring Initiatives

Accelerated Transformation Plan

The Company began restructuring and other actions in 2016 to integrate the legacy Newell Rubbermaid and Jarden businesses (the Jarden Integration). Initially, integration projects were primarily focused on driving cost synergies in procurement, overhead functions and organizational changes designed to redefine the operating model of the Company from a holding company to an operating company. Subsequently, the Company announced its Accelerated Transformation Plan during the first quarter of 2018 to divest of the Company s industrial and commercial product assets and non-core consumer businesses. The Accelerated Transformation Plan continues some of the Jarden Integration projects for the continuing operations and focuses on the realignment of the Company s management structure and overall cost structure as a result of the completed and planned divestitures. Restructuring costs

associated with integration projects and the transformation plan include employee-related cash costs, including severance, retirement and other termination benefits, and contract termination and other costs. In addition, other costs associated with the Jarden Integration include advisory and personnel costs for managing and implementing integration projects.

Project Renewal

The Company s Project Renewal restructuring plan was completed during 2017. Project Renewal was designed, in part, to simplify and align the Company s businesses, streamline and realign the supply chain functions, reduce operational and manufacturing complexity, streamline the distribution and transportation functions, optimize global selling and trade marketing functions and rationalize the Company s real estate portfolio.

See Footnote 6 of the Notes to Consolidated Financial Statements for further information.

Impacts of Tariffs

The current U.S. presidential administration has implemented new U.S. tariffs that could impact the level of trade between the U.S and Canada, China, and the European Union in addition to global commerce in general. U.S. trading partners such as Canada, China and the European Union have responded by announcing retaliatory tariffs on some U.S. exports. Tariffs on imports into the U.S. and exports to Canada, China and the European Union will increase costs for the Company. The Company has been successful at negotiating an exception for most of the U.S. tariffs planned on baby gear, which represents a substantial portion of the Company s tariff exposure. However, the U.S. government has announced its intention to increase some of the China tariffs from 10% to 25% if there is not a breakthrough in negotiations with the China government. The Company s annualized gross tariff cost exposure from all these actions is estimated at approximately $105 million. The Company is working to mitigate the tariff exposure, in part through pricing, productivity and in some cases relocation. In addition, if the U.S. presidential administration were to extend the tariffs to additional categories of goods made in China it could have a significant impact on the Company.

Table of Contents

Results of Operations

Consolidated Operating Results 2018 vs. 2017

	Years Ended December 31,			
(in millions)	2018	2017	Increase (Decrease)	% Change
Net sales	$ 8,630.9	$ 9,552.0	$ (921.1)	(9.6)%
Cost of products sold	5,622.1	6,289.0	(666.9)	(10.6)
Gross profit	3,008.8	3,263.0	(254.2)	(7.8)
Selling general and administrative expenses (SG&A)	2,434.8	2,705.6	(270.8)	(10.0)
Restructuring costs, net	80.5	87.6	(7.1)	(8.1)
Impairment of goodwill, intangibles and other assets	8,322.0	84.3	8,237.7	NMF
Operating income (loss)	(7,828.5)	385.5	(8,214.0)	NMF
Interest expense, net	446.3	469.1	(22.8)	(4.9)
Loss on extinguishment of debt	4.1	32.3	(28.2)	(87.3)
Other (income) expense, net	(11.2)	(708.3)	697.1	(98.4)
Income (loss) before taxes	$ (8,267.7)	$ 592.4	$ (8,860.1)	NMF

NMF Not meaningful

The decrease in net sales for 2018 was primarily due to the 2017 divestitures (approximately 3%), a decline in sales across all segments (approximately 5%) and the impact of the adoption of new revenue recognition standards (approximately 2%), partially offset by the impact of acquisitions (approximately 1%).

The decrease in cost of products sold for 2018 was primarily driven by the impact of the 2017 divestitures (approximately $187 million) and lower sales (approximately $340 million) and impact of the adoption of new revenue recognition standards (approximately $184 million), partially offset by the impact of acquisitions (approximately $58 million). Reported gross margin was 34.9% versus 34.2% as the benefit from pricing, product mix and cost savings was mostly offset by the impact of inflation related to cost of goods, freight and tariffs.

The decrease in SG&A for 2018 was primarily due the impact of the 2017 divestitures (approximately $78 million), a decrease in integration cost (approximately $133 million), as well as the benefits of cost savings.

The restructuring costs for 2018 and 2017 were mostly comprised of costs related to the Accelerated Transformation Plan, primarily consisting of severance costs.

During 2018, in connection with the Company s annual impairment testing and subsequent triggering events, the Company recorded a non-cash charge of $8.3 billion to reflect impairment of goodwill and intangible assets. The impairment charge affected the Company s reporting segments as follows (in millions):

	Year Ended December 31, 2018	
	Goodwill	Intangibles
Food and Appliances	$ 1,766.9	$ 1,746.7
Home and Outdoor Living	1,985.0	2,434.1
Learning and Development	105.3	246.0
	$ 3,857.2	$ 4,426.8

See Footnote 9 of the Notes to Consolidated Financial Statements for further information regarding impairment charges

In addition to the impairment charges for goodwill and indefinite-lived intangible assets, during 2018, the Company recorded $38.0 million of impairment charges on certain other assets, the majority of which relate to the Home Fragrance business in the Home and Outdoor Living segment.

Consolidated operating income (loss) as a percentage of net sales for 2018 and 2017 was approximately (90.7)% and 4.0%, respectively. The change is primarily due to increased impairment charges and the negative impact of lower sales, partially offset by synergies and cost savings, lower integration and acquisition-related costs and decreased restructuring costs.

Table of Contents

The decrease in interest expense for 2018 was primarily due to lower debt levels. The weighted average interest rate for 2018 and 2017 was approximately 4.2% and 4.0%, respectively.

See Footnote 14 of the Notes to Consolidated Financial Statements for information regarding income taxes.

Business Segment Operating Results 2018 vs. 2017

	Net Sales Years Ended December 31,				Operating Income (Loss) Years Ended December 31,			
(in millions)	2018	2017	Increase (Decrease)	% Change	2018	2017	Increase (Decrease)	% Change
Food and Appliances	$ 2,699.1	$ 2,921.1	$ (222.0)	(7.6)%	$ (3,290.0)	$ 311.1	$ (3,601.1)	NMF%
Home and Outdoor Living	2,946.7	3,114.1	(167.4)	(5.4)	(4,237.7)	274.0	(4,511.7)	NMF
Learning and Development	2,981.6	3,269.1	(287.5)	(8.8)	237.9	540.4	(302.5)	(56.0)
Other	3.5	247.7	(244.2)	(98.6)	3.8	(89.5)	93.3	(104.2)
Corporate					(462.0)	(562.9)	100.9	17.9
Restructuring					(80.5)	(87.6)	7.1	(8.1)
	$ 8,630.9	$ 9,552.0	$ (921.1)	(9.6)	$ (7,828.5)	$ 385.5	$ (8,214.0)	NMF

Food and Appliances

The decrease in net sales for 2018 was primarily due to the continuing competitive challenges in the U.S. appliance business and the impact of the adoption of new revenue recognition standards, partially offset by improved sales in other categories.

Operating income (loss) as a percentage of net sales for 2018 and 2017 was approximately (122)% and 10.7%. The decrease was primarily driven by impairment charges, the negative impact of lower sales and cost of goods and freight inflation.

Home and Outdoor Living

The decrease in net sales for 2018 was primarily driven by decline in the Outdoor & Recreation and Home Fragrance businesses, primarily due to lost distribution in the certain product categories and continuing declines in the Home Fragrance retail channel, unfavorable weather conditions affecting the Coleman business; and the impact of the adoption of new revenue recognition standard, partially offset by improved sales in Connected Home & Security. Home Fragrance was burdened by continued sales declines at certain of the mall-based Yankee Candle retail stores. The Company intends to exit unprofitable mall-based retail stores as their leases expire.

Operating income (loss) as a percentage of net sales for 2018 and 2017 was approximately (144)% and 8.8%, respectively. The decrease was primarily driven by impairment charges.

Learning and Development

The decrease in net sales for 2018 was primarily due to a decline in the Writing business related to significant inventory contraction in the U.S. office superstore and distributive trade channels, sales declines in the baby gear category largely attributable to the bankruptcy and liquidation of a top global customer of the Baby division, partially offset by a revenue shift to other major retailers; and the impact of the adoption of new revenue recognition standards.

Operating income as a percentage of net sales for 2018 and 2017 was approximately 8.0% and 16.5%, respectively. The decrease was primarily driven by impairment charges, partially offset by a decrease in SG&A and productivity savings.

Other

The decrease in net sales for 2018 was due to impact of the 2017 divestitures.

The change in operating income (loss) for 2018 and 2017 was primarily due to impairment charges and other costs incurred during 2017, related to the 2017 divestitures and assets held for sale.

Table of Contents

Consolidated Operating Results 2017 vs. 2016

	Years Ended December 31,			
(in millions)	2017	2016	Increase (Decrease)	% Change
Net sales	$ 9,552.0	$ 9,181.1	$ 370.9	4.0%
Cost of products sold	6,289.0	6,210.2	78.8	1.3
Gross profit	3,263.0	2,970.9	292.1	9.8
Selling general and administrative expenses	2,705.6	2,610.6	95.0	3.6
Restructuring costs, net	87.6	62.2	25.4	40.8
Impairment of goodwill, intangibles and other assets	84.3		84.3	NMF
Operating income	385.5	298.1	87.4	29.3
Interest expense, net	469.1	404.2	64.9	16.1
Loss on extinguishment of debt	32.3	47.6	(15.3)	(32.1)
Other (income) expense, net	(708.3)	(172.5)	(535.8)	310.6
Income before taxes	$ 592.4	$ 18.8	$ 573.6	NMF

NMF Not meaningful

The increase in net sales for 2017 was primarily due to the Jarden Acquisition, as well as other acquisitions (approximately 14%) and increased sales, partially offset by divestitures (approximately 12%). Foreign currency impacts on a period-over-period basis were not material.

The change in cost of products sold for 2017 was primarily due to the Jarden Acquisition, as well as other acquisitions (approximately $910 million) and the impact of increased sales and unfavorable foreign currency (collectively approximately $90 million), partially offset by inventory step-up charges primarily related to the Jarden Acquisition recorded in 2016 (approximately $293 million) and the impact of divestitures (approximately $632 million). Gross margin was 34.2% versus 32.4% percent in 2016. The change was primarily due to the impact of the inventory step-up charge recorded in 2016 and the benefits of synergies and productivity, partially offset by the negative mix effects partially related to the Jarden Acquisition.

The change in SG&A for 2017 was primarily due to the Jarden Acquisition, as well as other acquisitions (approximately $305 million) and increased investment related to brand development, e-commerce and insights, partially offset by the impact of divestitures (approximately $230 million) and benefits of synergies and productivity. Additionally, the decrease in certain labor-related costs was mostly offset by an increase in integration costs.

The restructuring costs for 2017 were mostly comprised of costs related to the Jarden Integration and other restructuring activities, which primarily relate to the Jarden Acquisition. The majority of the restructuring costs for 2016 related to Project Renewal.

Consolidated operating income as a percentage of net sales for 2017 and 2016 was approximately 4.0% and 3.3%, respectively. The decrease in aforementioned inventory step-up charge related to the Jarden Acquisition, the impact of increased net sales and the benefits of synergies and productivity, as well as a reduction in bonus expense, were

mostly offset by the negative mix effects related to the Jarden Acquisition, increased investment related to the expansion of brand development, e-commerce and insights, as well as costs associated with the delivery of synergies, the increase in the impairment of goodwill, intangibles and other assets and the acquisition-related increase in amortization of intangibles.

The increase in interest expense for 2017 was primarily due to higher average debt levels versus the same prior year period. The weighted average interest rate for 2017 and 2016 was approximately 4.0% and 3.7%, respectively.

As a result of the Tax Cuts and Jobs Act in the United States, during the fourth quarter of 2017, the Company recorded a deferred tax benefit of $1.5 billion due to statutory tax rate changes in the United States and an $87.2 million tax benefit to reverse the Company s APB 23 liability on historical Jarden earnings, partially offset by a $195 million tax expense relating to a mandatory repatriation tax. See Footnote 17 of the Notes to Consolidated Financial Statements for information regarding income taxes.

Table of Contents

Business Segment Operating Results 2017 vs. 2016

	Sales Years Ended December 31,				Operating Income Years Ended December 31,			
(in millions)	2017	2016	Increase (Decrease)	% Change	2017	2016	Increase (Decrease)	% Change
Food and Appliances	$ 2,921.1	$ 2,453.3	$ 467.8	19.1%	$ 311.1	$ 191.8	$ 119.3	62.2%
Home and Outdoor Living	3,114.1	2,289.7	824.4	36.0	274.0	167.3	106.7	63.8
Learning and Development	3,269.1	3,100.6	168.5	5.4	540.4	606.4	(66.0)	(10.9)
Other	247.7	1,337.5	(1,089.8)	(81.5)	(89.5)	113.1	(202.6)	(179.1)
Corporate					(562.9)	(718.3)	155.4	(21.6)
Restructuring					(87.6)	(62.2)	(25.4)	(40.8)
	$ 9,552.0	$ 9,181.1	$ 370.9	4.0	$ 385.5	$ 298.1	$ 87.4	29.3

Food and Appliances

The increase in net sales for 2017 was primarily due to acquisitions (approximately 17%), partially offset primarily by sales declines in the Appliance and Cookware category.

Operating income as a percentage of net sales for 2017 and 2016 was approximately 10.7% and 7.8%, respectively. The increase was primarily driven by the impact of the 2016 inventory step-up charge related to the Jarden Acquisition (approximately $118 million) and a reduction in bonus expense, which more than offset the negative product mix impact of the Jarden Acquisition, and the acquisition-related increase in amortization of intangibles, as well as the impact of incremental promotional activity.

Home and Outdoor Living

The increase in net sales for 2017 was primarily due to the Jarden Acquisition (approximately 34%), with the balance of growth generated primarily by the Beverage, Coleman and Technical Apparel categories.

Operating income as a percentage of net sales for 2017 and 2016 was approximately 8.8% and 7.3%, respectively. The increase was primarily driven by the impact of the 2016 inventory step-up charge related to the Jarden Acquisition (approximately $140 million), cost synergies, and a reduction in bonus expense.

Learning and Development

The increase in net sales for 2017 was primarily due to an increase in sales in the Writing business, in part due to increases in Elmer s glue sales and strong growth in the baby gear category partially offset by decreases in other Writing categories due to inventory reductions at certain mass market retailers and a decline in the Fine Art category.

Operating income as a percentage of net sales for 2017 and 2016 was approximately 16.5% and 19.6%, respectively. The decrease was primarily driven by the unfavorable impact of product mix due to the growth of Elmer s glue sales within the Writing business, increased advertising and promotion costs, and fire-related losses at a Writing warehouse

in Mexico.

Other

The decrease in net sales for 2017 was primarily due to impact of divestitures.

Operating earnings (loss) as a percentage of net sales for 2017 and 2016 was approximately (36.1%) and 8.5%, respectively. The change was affected by an increase in the impairment of goodwill, intangibles and other assets (approximately $70 million), the impact of divestitures, and other costs that are primarily related to assets held for sale, partially offset by the impact of the 2016 inventory step-up charge related to the Jarden Acquisition (approximately $34 million).

Liquidity and Capital Resources

At December 31, 2018, the Company had cash and cash equivalents of $496 million, of which approximately $308 million was held by the Company s non-U.S. subsidiaries. Overall, the Company believes that available cash and cash equivalents, cash flows generated from future operations, access to capital markets, and availability under its revolving credit facility and receivables purchase agreement will be adequate to support the cash needs of the Company. The Company intends to use available cash, borrowing capacity, cash flows from future operations and alternative financing arrangements to invest in capital expenditures in support of the Company s growth platforms, to maintain its dividend per share and to repay debt maturities as they come due and to complete its ongoing restructuring initiatives.

Cash and cash equivalents changed as follows for 2018, 2017 and 2016 (in millions):

				Increase (Decrease)	
Continuing Operations	**2018**	**2017**	**2016**	**2018**	**2017**
Cash provided by operating activities	$ 524.1	$ 834.4	$ 1,668.3	$ (310.3)	$ (833.9)
Cash provided by (used in) investing activities	(176.5)	1,216.1	(8,662.7)	(1,392.6)	9,878.8
Cash provided by (used in) financing activities	(5,453.8)	(2,194.4)	7,332.3	(3,259.4)	(9,526.7)
Discontinued Operations					
Cash provided by operating activities	$ 155.9	$ 131.8	$ 172.1	$ 24.1	$ (40.3)
Cash provided by (used in) investing activities	4,983.9	(137.6)	(162.1)	5,121.5	24.5
Cash used in financing activities	(0.7)	(1.4)	(3.8)	0.7	2.4
Total Company					
Cash provided by operating activities	$ 680.0	$ 966.2	$ 1,840.4	$ (286.2)	$ (874.2)
Cash provided by (used in) investing activities	4,807.4	1,078.5	(8,824.8)	3,728.9	9,903.3
Cash provided by (used in) financing activities	(5,454.5)	(2,195.8)	7,328.5	(3,258.7)	(9,524.3)
Currency effect on cash and cash equivalents	(22.9)	49.3	(31.4)	(72.2)	80.7
Increase (decrease) in cash and cash equivalents	$ 10.0	$ (101.8)	$ 312.7	$ 111.8	$ (414.5)

The Company tends to generate the majority of its operating cash flow in third and fourth quarters of the year due to seasonal variations in operating results, the timing of annual performance-based compensation payments, working capital requirements and credit terms provided to customers.

Cash Flows from Operating Activities

The change in net cash provided by operating activities from continuing operations is in part due to an increase in cash taxes paid (approximately $135 million) related to the gain on the sale of the Tools business, lower payables in 2018 and favorable working capital benefits in 2017 related to the divested businesses, partially offset by strong inventory management and other working capital initiatives and timing, as well as lower bonus and incentive payments.

The change in net cash provided by continuing operations for 2017 is in part due to operating cash flows that were unusually high in 2016 driven by substantial benefits that did not repeat related to the Jarden Acquisition, including the absence of seasonal cash outflows for the legacy Jarden businesses, prior to the transaction; an increase in cash interest paid (approximately $143 million); an increase in make-whole interest and fees related to the extinguishment

of debt (approximately $34 million); an increase in integration-related costs (approximately $137 million), an increase in cash taxes paid (approximately $73 million) and unfavorable working capital movements primarily related to the timing of inventory purchases.

Cash Flows from Investing Activities

The change in cash provided by (used in) investing activities from continuing operations was primarily due to a decrease in the proceeds from the sale of businesses (approximately $2.1 billion), partially offset by a decrease in cash used for the acquisition of businesses (approximately $634 million). For 2018 and 2017, capital expenditures from continuing operations were $229 million and $266 million, respectively.

The change in cash provided by (used in) investing activities from continuing operations for 2017 was primarily due to a decrease in cash used for the acquisition of businesses, net of cash acquired (approximately $8 billion), primarily due to the Jarden Acquisition and a $1.9 billion increase in the proceeds from the sale of businesses. For 2017, capital expenditures from continuing operations were $266 million versus $292 million for 2016.

Cash Flows from Financing Activities

The change in net cash provided by (used in) financing activities from continuing operations was primarily due to the period-over-period decrease in borrowings on short-term debt (approximately $1.0 billion), an increase in shares repurchased (approximately $1.4 billion), and an increase in the payments on long-term debt (approximately $1.1 billion), partially offset by non-repeating payments to dissenting shareholders in 2017 (approximately $162 million).

The change in net cash provided by (used in) financing activities from continuing operations for 2017 was primarily due to the decrease in the proceeds from the issuance of long-term debt, primarily used to fund the Jarden Acquisition, in excess of payments on long-term debt (approximately $9.8 billion) an increase in cash dividends paid (approximately $100 million), an increase in the repurchase of shares of the Company (approximately $152 million) and cash paid to dissenting former Jarden shareholders (approximately $162 million), partially offset by the period-over-period increase in the net change in short-term debt (approximately $753 million).

Capital Resources

In September 2018, the Company redeemed the entire principal amount of its 2.15% senior notes due 2018 at a price approximating par value.

In October 2018, the Company commenced cash tender offers (the Tender Offers) totaling approximately $1.0 billion for any and all of its 2.875% senior notes due 2019 (the 2.875% Notes) and up to a maximum aggregate principal amount of its 3.15% senior notes due 2021 (the 3.15% Notes), 3.85% senior notes due 2023 and 4.20% senior notes due 2026.

In October 2018, pursuant to the Tender Offers, the Company repurchased approximately $249 million aggregate principal amount of its 2.875% Notes due 2019 and approximately $650 million aggregate principal amount of its 3.15% Notes due 2021 for total consideration, excluding accrued interest, of approximately $893 million.

In October 2018, the Company also instructed the trustee for the 2.875% Notes to deliver an irrevocable notice of redemption to the holders of the 2.875% Notes for any and all of the 2.875% Notes not tendered in the Tender Offers. Pursuant to the notice of redemption, the Company redeemed the entire aggregate principal amount of the 2.875% Notes outstanding on November 9, 2018, at the redemption price determined in accordance with the terms for redemption set forth in the 2.875% Notes and the indenture governing the 2.875% Notes.

In December, 2018, the Company commenced an additional cash tender (the Second Tender Offer) totaling approximately $1.6 billion for any and all of its 3.15% Notes due 2021 and up to a maximum aggregate principal amount of certain other of its senior notes. In December, 2018, pursuant to the Second Tender Offer, the Company repurchased approximately $252 million aggregate principal amount of its 3.15% Notes, approximately $1.1 billion aggregate principal amount of its 5.5% senior notes due 2046, approximately $209 million aggregate principal amount of its 3.9% senior notes due 2025 and approximately $80 million aggregate principal amount of its 5.375% senior notes due 2036, for total consideration, excluding accrued interest, of approximately $1.6 billion.

As a result of these debt extinguishments, the Company recorded a loss on the extinguishment of debt of $4.1 million, primarily comprised of a non-cash charge due to the write-off of deferred debt issuance costs, partially offset by prepayment gains.

The Company maintains a $1.25 billion revolving credit facility that matures in December 2023 (the Facility). Under the Facility, the Company may borrow funds on a variety of interest rate terms. Since the Facility provides the committed backup liquidity required to issue commercial paper, the Company may issue commercial paper up to a maximum of $800 million provided there is a sufficient amount available for borrowing under the Facility. The Facility also provides for the issuance of up to $100 million of letters of credit, so long as there is a sufficient amount available for borrowing under the Facility. At December 31, 2018, there was no commercial paper outstanding, there were approximately $30 million of outstanding standby letters of credit issued against the Facility and there were no borrowings outstanding under the Facility. The net availability under the Facility was approximately $1.2 billion.

The Company maintains a $950 million receivables purchase agreement that matures in October 2019 (the Securitization Facility) and bears interest at a margin over a variable interest rate. At December 31, 2018, the borrowing rate margin and the unused line fee on the Securitization Facility were 0.80% and 0.40% per annum, respectively. At December 31, 2018, net availability under the Facility was approximately $761 million.

The Company was not in default of any of its debt covenants at December 31, 2018.

At December 31, 2018, there were approximately 2.5 million shares of the Company s common stock that had not been issued and $61 million in cash that had not been paid to the former holders of Jarden shares who are exercising their right to judicial appraisal under Delaware law. Absent consent by the Company, these dissenting shareholders are no longer entitled to the merger consideration, but are instead entitled only to the judicially determined fair value of their shares, plus interest accruing from the date of the Jarden Acquisition, payable in cash. However, it is possible that the Company could issue a consent to or reach agreement with one or more of these shareholders resulting in the issuance of Company shares (in lieu of or along with the payment of cash) in settlement of the dissenters claims. At December 31, 2018, the Company has accrued approximately $171 million of unpaid consideration related to these former shares of Jarden common stock.

On June 11, 2018, the Company announced that its Board of Directors authorized a $2.5 billion increase in the then available amount under its existing Stock Repurchase Program (SRP). Under the updated SRP, the Company is authorized to repurchase up to approximately $3.6 billion of its outstanding shares through the end of 2019. The repurchase of additional shares in the future will depend upon many factors, including the Company s financial condition, liquidity and legal requirements. During 2018, the Company repurchased approximately 63 million shares of its common stock valued at approximately $1.5 billion under the SRP. At December 31, 2018, approximately $2.1 billion remains available under the SRP.

On February 20, 2019, Fitch Ratings (Fitch) concluded its review of its rating of Newell Brands Inc. and has downgraded the Company s Long-Term Issuer Default Rating to BB+ from BBB- and Short-Term IDR to B from F The Rating Outlook is Stable. This action reflected Fitch s view that recent declines in business performance expectations and risks associated with completion of the Accelerated Transformation Plan could indicate execution issues and share losses.

Risk Management

From time to time, the Company enters into derivative transactions to hedge its exposures to interest rate, foreign currency rate and commodity price fluctuations. The Company does not enter into derivative transactions for trading purposes.

Interest Rate Contracts

The Company manages its fixed and floating rate debt mix using interest rate swaps. The Company may use fixed and floating rate swaps to alter its exposure to the impact of changing interest rates on its consolidated results of operations and future cash outflows for interest. Floating rate swaps would be used, depending on market conditions, to convert the fixed rates of long-term debt into short-term variable rates. Fixed rate swaps would be used to reduce the Company s risk of the possibility of increased interest costs. Interest rate swap contracts are therefore used by the Company to separate interest rate risk management from the debt funding decision. The cash paid and received from the settlement of interest rate swaps is included in interest expense.

Fair Value Hedges

At December 31, 2018, the Company had approximately $527 million notional amount of interest rate swaps that exchange a fixed rate of interest for variable rate (LIBOR) of interest plus a weighted average spread. These floating rate swaps are designated as fair value hedges against $277 million of principal on the 4.7% senior notes due 2020 and $250 million of principal on the 4.0% senior notes due 2024 for the remaining life of these notes. The effective portion of the fair value gains or losses on these swaps is offset by fair value adjustments in the underlying debt.

Cross-Currency Contracts

The Company uses cross-currency swaps to hedge foreign currency risk on certain intercompany financing arrangements with foreign subsidiaries. During 2018, all of the Company s cross-currency interest rate swaps matured. The cross-currency interest rate swaps were intended to eliminate uncertainty in cash flows in U.S. Dollars and British Pounds in connection with the intercompany financing arrangements.

Foreign Currency Contracts

The Company uses forward foreign currency contracts to mitigate the foreign currency exchange rate exposure on the cash flows related to forecasted inventory purchases and sales and have maturity dates through December 2019. The derivatives used to hedge these forecasted transactions that meet the criteria for hedge accounting are accounted for as cash flow hedges. The effective portion of the gains or losses on these derivatives is deferred as a component of AOCI and is recognized in earnings at the same time that the hedged item affects earnings and is included in the same caption in the statements of operations as the underlying hedged item. At December 31, 2018, the Company had approximately $504 million notional amount outstanding of forward foreign currency contracts that are designated as cash flow hedges of forecasted inventory purchases and sales.

The Company also uses foreign currency contracts, primarily forward foreign currency contracts, to mitigate the foreign currency exposure of certain other foreign currency transactions. At December 31, 2018, the Company had approximately $1.0 billion notional amount outstanding of these foreign currency contracts that are not designated as effective hedges for accounting purposes and have maturity dates through October 2020. Fair market value gains or losses are included in the results of operations and are classified in other (income) expense, net.

Table of Contents

The following table presents the fair value of derivative financial instruments as of December 31, 2018 (in millions):

	December 31, 2018 Asset (Liability)
Derivatives designated as effective hedges:	
Cash flow hedges:	
Foreign currency contracts	$ 12.6
Fair value hedges:	
Interest rate swaps	(11.5)
Derivatives not designated as effective hedges:	
Foreign currency contracts	8.7
Commodity contracts	(0.9)
Total	$ 8.9

Contractual Obligations, Commitments and Off-Balance Sheet Arrangements

The Company has outstanding debt obligations maturing at various dates through 2046. Certain other items, such as purchase commitments and other executory contracts, are not recognized as liabilities in the Company s consolidated financial statements but are required to be disclosed. Examples of items not recognized as liabilities in the Company s consolidated financial statements are commitments to purchase raw materials or inventory that has not yet been received as of December 31, 2018, and future minimum lease payments for the use of property and equipment under operating lease agreements.

The following table summarizes the effect that lease and other material contractual obligations is expected to have on the Company s cash flow in the indicated period. In addition, the table reflects the timing of principal and interest payments on borrowings outstanding as of December 31, 2018. Additional details regarding these obligations are provided in the Notes to Consolidated Financial Statements:

		Year(s)			
(in millions)	**Total**	**1**	**2-3**	**4-5**	**After 5**
Debt (1)	$ 7,057.1	$ 269.4	$ 806.5	$ 2,301.9	$ 3,679.3
Interest on debt (2)	2,693.0	302.2	570.2	476.5	1,344.1
Operating lease obligations (3)	877.4	180.0	261.8	171.7	263.9
Purchase obligations (4)	392.3	303.9	76.9	11.4	0.1
Tax obligations (5)	118.1	10.5	20.5	29.5	57.6
Total (6)	$ 11,137.9	$ 1,066.0	$ 1,735.9	$ 2,991.0	$ 5,345.0

(1) Amounts represent contractual obligations based on the earliest date that the obligation may become due, excluding interest, based on borrowings outstanding as of December 31, 2018. For further information relating to these obligations, see Footnote 11 of the Notes to Consolidated Financial Statements.

(2) Amounts represent estimated interest payable on borrowings outstanding as of December 31, 2018, excluding the impact of fixed to floating rate interest rate swaps. Interest on floating-rate debt was estimated using the rate in effect as of December 31, 2018. For further information, see Footnote 11 of the Notes to Consolidated Financial Statements.

(3) Amounts represent contractual minimum lease obligations on operating leases as of December 31, 2018. For further information relating to these obligations, see Footnote 13 of the Notes to Consolidated Financial Statements.

(4) Primarily consists of purchase commitments with suppliers entered into as of December 31, 2018, for the purchase of materials, packaging and other components and services. These purchase commitment amounts represent only those items which are based on agreements that are legally enforceable and that specify all significant terms including minimum quantity, price and term and do not represent total anticipated purchases.

(5) Represents the future cash payments related to Tax Cuts and Jobs Act enacted in 2018, for the one-time provisional transition tax on the Company s previously untaxed foreign earnings. See Footnote 17 of the Notes to Consolidated Financial Statements for additional information.

(6) Total does not include contractual obligations reported on the December 31, 2018 balance sheet as current liabilities, except for current portion of long-term debt, short-term debt and accrued interest.

The Company also has liabilities for uncertain tax positions and unrecognized tax benefits. The Company is under audit from time-to-time by the IRS and other taxing authorities, and it is possible that the amount of the liability for uncertain tax positions and unrecognized tax benefits could change in the coming year. While it is possible that one or more of these examinations may be resolved in the next year, the Company is not able to reasonably estimate the timing or the amount by which the liability will be settled over time; therefore, the $463 million in unrecognized tax benefits as of December 31, 2018, is excluded from the preceding table. See Footnote 17 of the Notes to Consolidated Financial Statements for additional information.

Additionally, the Company has obligations with respect to its pension and postretirement benefit plans, which are excluded from the preceding table. The timing and amounts of the funding requirements are uncertain because they are dependent on interest rates and actual returns on plan assets, among other factors. See Footnote 14 of the Notes to Consolidated Financial Statements for further information.

As of December 31, 2018, the Company had $74.6 million in standby letters of credit primarily related to the Company s self-insurance programs, including workers compensation, product liability and medical. See Footnote 20 of the Notes to Consolidated Financial Statements for further information.

As of December 31, 2018, the Company did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Critical Accounting Estimates

The Company s accounting policies are more fully described in Footnote 1 of the Notes to Consolidated Financial Statements. As disclosed in that footnote, the preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying footnotes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the Consolidated Financial Statements. The following sections describe the Company s critical accounting policies.

Sales Recognition, Customer Programs and Variable Consideration

The Company recognizes revenue when performance obligations under the terms of a contract with the customer are satisfied and are recognized at a point in time, which generally occurs either on shipment or on delivery based on contractual terms, which is also when control is transferred. The Company s primary performance obligation is the distribution and sales of its consumer and commercial products to its customers. Prior to the adoption of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (Topic 606), the Company deferred recognition of revenue for limited FOB shipping point transactions where it had a practice of providing the buyer with replacement goods at no additional cost if there was loss or damage while the goods were in transit. After the adoption of Topic 606, the Company recognizes revenue at the time of shipment for these transactions.

The Company measures revenue as the amount of consideration for which it expects to be entitled in exchange for transferring goods or providing services. Certain customers may receive cash and/or non-cash incentives such as cash discounts, returns, credits or reimbursements related to defective products, customer discounts (such as volume or trade discounts), cooperative advertising and other customer-related programs, which are accounted for as variable consideration. In some cases, the Company must apply judgment, including contractual rates and historical payment trends, when estimating variable consideration.

In addition, the Company participates in various programs and arrangements with customers designed to increase the sale of products by these customers. Among the programs negotiated are arrangements under which allowances are earned by customers for attaining agreed-upon sales levels or for participating in specific marketing programs. Coupon programs are also developed on a customer- and territory-specific basis with the intent of increasing sales by all customers.

Under customer programs and arrangements that require sales incentives to be paid in advance, the Company amortizes the amount paid over the period of benefit or contractual sales volume. When incentives are paid in arrears,

the Company accrues the estimated amount to be paid based on the program s contractual terms, expected customer performance and/or estimated sales volume. These estimates are determined using historical customer experience and other factors, which sometimes require significant judgment. Due to the length of time necessary to obtain relevant data from customers, among other factors, actual amounts paid can differ from these estimates.

As a result of the adoption of Topic 606, certain costs and cash payments made to customers previously recorded in costs of products sold and selling, general and administrative expenses have been reclassified against net sales as they do not meet the specific criteria to qualify as a distinct good or service under the new guidance, primarily related to payments to customers for defective products under warranty.

For further information regarding revenue recognition see Footnotes 1 and 2 of the Notes to the Consolidated Financial Statements

Inventory Reserves

The Company reduces its inventory value for estimated obsolete and slow-moving inventory in an amount equal to the difference between the cost of inventory and the net realizable value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Business Combinations

The Company allocates purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, the Company makes significant estimates and assumptions, especially with respect to intangible assets.

Critical estimates in valuing intangible assets include, but are not limited to, future expected cash flows from customer relationships, trade names and trademarks and acquired patents and developed technology; the period of time the Company expects to use the acquired intangible asset; and discount rates. In estimating the future cash flows, the Company considers demand, competition and other economic factors. The Company s estimates are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates, which could result in impairment charges in the future. Estimates associated with the accounting for business combinations may change as additional information becomes available regarding the assets acquired and liabilities assumed, which could result in adjustments to the values of tangible assets acquired, liabilities assumed and intangible assets acquired or could result in future income or expenses if such changes in estimates are identified beyond one year from the date of acquisition.

The Company considers various factors in determining whether an acquired trademark or trade name has an indefinite life. In assessing whether an acquired trademark or trade name has an indefinite life, the Company considers legal and regulatory provisions that may limit the useful life, customer loyalty, brand strength and positioning, the effects of obsolescence and other economic factors, the Company s plans for incorporating the trademark or trade name into its brand portfolio and the Company s historical experience in using and renewing similar assets. The Company considers all other acquired intangible assets definite-lived assets and generally amortizes the assets on a straight-line basis. The Company determines the amortizable life of acquired definite-lived intangible assets based on the number of years over which a significant amount of the discounted cash flows contributes to the estimated fair value of the asset.

The Company accounts for costs to exit or restructure certain activities of an acquired company separately from the business combination. A liability for costs associated with an exit or disposal activity is recognized and measured at its fair value in the consolidated statement of operations in the period in which the liability is incurred. When estimating the costs of exiting facilities, estimates are made regarding future sublease payments to be received, which can differ materially from actual results. As a result, the Company may be required to revise its estimates which may affect the Company s results of operations and financial position in the period the revision is made.

Goodwill and Indefinite-Lived Intangibles

As a result of acquisitions in prior years, the Company has significant intangible assets on its balance sheet that include goodwill and indefinite-lived intangibles (primarily, trademarks and tradenames). The Company s goodwill and indefinite-lived intangibles are tested and reviewed for impairment annually as of July 1, or more frequently if facts and circumstances warrant.

The Company performs its annual impairment testing of goodwill at a reporting unit level, and all of the Company s goodwill is assigned to the Company s reporting units. Reporting units are generally one level below the operating segment level. As a result of the Company s Accelerated Transformation Plan that resulted in a number of businesses designated as held for sale, the Company is now comprised of seven reporting units, within its three primary operating segments as part of its continuing operations. The amount of goodwill attributable to continuing operations subject to its annual goodwill impairment testing as of July 1, 2018 was $6.8 billion. Additionally, the carrying value of the

Company s indefinite-lived intangible assets attributable to continuing operations was approximately $8.5 billion as of the July 1, 2018. In addition to annual testing, the Company had triggering events as of September 30, 2018 and December 31, 2018 that resulted in impairment charges being recorded.

During the current year, the Company used a quantitative approach to test goodwill and indefinite-lived intangibles and bypassed the qualitative approach. The quantitative approach in the goodwill impairment test involves comparing the fair value of each of the reporting units to the carrying value of those reporting units. If the carrying value of a reporting unit exceeds the fair value of the reporting unit, an impairment loss would be recognized (not to exceed the carrying amount of goodwill).

Goodwill impairment testing requires significant use of judgment and assumptions, including the identification of reporting units; the assignment of assets and liabilities to reporting units; and the estimation of future cash flows, terminal values, discount rates and total enterprise value. The Company primarily uses discounted cash flow valuation methods based on five-year cash flow projections. The cash flows projected are analyzed on a debt-free basis (before cash payments to equity and interest bearing debt investors) in order to develop an enterprise value from operations for the reporting unit. A provision is also made, based on these projections, for the value of the reporting unit at the end of the forecast period, or terminal value. The present value of the finite-period cash flows and the terminal value are determined using a selected discount rate.

The indefinite-lived intangible asset impairment testing also requires significant use of judgment and assumptions (such as cash flow projections, terminal values and discount rates). For impairment testing purposes, the fair value of indefinite-lived intangibles is determined using the same method which was used for determining the initial fair value upon acquisition. The first method is the relief from royalty method, which estimates the value of a tradename by discounting the hypothetical avoided royalty payments to their present value over the economic life of the asset. The second method is the excess earnings method, which estimates the value of the intangible asset by quantifying the residual (or excess) cash flows generated by the asset, and discounting those cash flows to the present. The excess earnings methodology requires the application of contributory asset charges. Contributory asset charges typically include assumed payments for the use of working capital, tangible assets and other intangible assets. Changes in forecasted operations and other assumptions could materially affect the estimated fair values. Changes in business conditions could potentially require adjustments to these asset valuations.

The Company s testing date is July 1; however, the Company concluded that a triggering event had occurred as of September 30, 2018, as a result of (1) the decline in the Company s stock price during the third quarter such that the Company s market capitalization was well below book value (net shareholders equity) and (2) updated cash flow projections for its businesses. As of September 30, 2018, the Company therefore applied higher risk adjusted discount rates to the projected cash flows of its reporting units which reduced the fair values of each of the Company s reporting units, except the Writing division, below their carrying values. During the third quarter of 2018, the Company recorded goodwill impairment charges of $3.9 billion to reduce the carrying values of these reporting units to their fair values (see Footnote 9 to the Condensed Consolidated Financial Statements). In addition, as of December 31, 2018, the Company concluded that another triggering event had occurred for the Food, Appliances and Cookware, Connected Home and Security, Baby and Home Fragrance reporting units. At December 31, 2018, the Company updated the fair values of its reporting units based on a discounted cash flow methodology reflecting the latest projections which included, among other things, the pricing impacts of the recently announced tariffs on Chinese imports, other inflation, as well as projected benefits from the Company s cost savings programs. Given the Company s impairment charges in 2018, there is minimal difference between the estimated fair values and the carrying values of some of the Company s reporting units increasing the likelihood of future impairment charges. As of December 31, 2018, the implied fair value of the Company s reporting units exceeded their respective carrying value by more than 10%, other than the Connected Home and Security and Home Fragrance reporting units. The carrying values of these two reporting units comprise $0.2 billion of $3.0 billion of remaining goodwill, and approximate their fair values.

During the third quarter of 2018, the Company performed the quantitative impairment tests in its annual impairment testing for all its trade names using either the relief from royalty method or excess earnings method similar to their initial valuations. The discounted cash flows used to estimate fair values of the trade names employed under either of these methods reflected the higher risk adjusted discount rates that affected the respective reporting units. In addition, the Company updated its quantitative analysis as of December 31, 2018 as a result of the triggering event noted above. During 2018, the Company recorded impairment charges of $4.4 billion, of which $0.2 billion was recorded during the fourth quarter 2018, related to various trade names within its reporting units as follows:

Trade names within the Food and Appliances segment, primarily acquired in the Jarden acquisition, were impaired by $0.1 billion during the fourth quarter of 2018, and $1.7 billion during 2018, as their carrying values exceeded their fair values. An increase of 100 basis points in the discount rate used in the discounted cash flows to estimate fair values of these tradenames would have resulted in an increase to the impairment charge of approximately $0.1 billion. The remaining carrying value of trade names within this segment is approximately $1.6 billion, with $0.7 billion of those trade names with fair values in excess of 10% of the carrying values.

Trade names within the Home and Outdoor Living segment, all acquired in the Jarden acquisition, were impaired by $0.1 billion during the fourth quarter of 2018, and $2.4 billion during 2018, as their carrying values exceeded their fair

values. An increase of 100 basis points in the discount rate used in the discounted cash flows to estimate fair values of these tradenames would have resulted in an increase to the impairment charge of approximately $0.2 billion. The remaining carrying value of trade names within this segment is approximately $1.9 billion, with $0.7 billion of those trade names with fair values in excess of 10% of the carrying values.

Trade names within the Learning and Development segment, primarily acquired in the Jarden acquisition, were impaired by $0.2 billion during 2018 as their carrying values exceeded their fair values. An increase of 100 basis points in the discount rate used in the discounted cash flows to estimate fair values of these tradenames would not have resulted in an increase to the impairment charge. The remaining carrying value of trade names within this segment is approximately $0.6 billion, all with fair values in excess of 10% of the carrying values.

Some of the inherent estimates and assumptions used in determining fair value of the reporting units are outside the control of management, including interest rates, cost of capital, tax rates, credit ratings, foreign exchange rates, labor inflation, and industry growth. While the Company believes it has made reasonable estimates and assumptions to calculate the fair values of the reporting units and other indefinite-lived intangible assets, it is possible changes could occur. Approximately $0.2 billion of goodwill and $2.1 billion

of indefinite-lived intangible assets are recorded at their approximate fair value, which exceed their carrying values by less than 10%, and are highly susceptible to changes in estimates and assumptions. The Company will continue to monitor its reporting units and indefinite-lived intangible assets for any triggering events or other signs of impairment. The Company may be required to perform additional impairment tests based on changes in the economic environment, further sustained deterioration of the Company s market capitalization, and other factors in the future. Although management cannot predict when improvements in macroeconomic conditions will occur, if consumer confidence and consumer spending decline significantly in the future or if commercial and industrial economic activity or the market capitalization deteriorates significantly from current levels, it is reasonably likely the Company will be required to record impairment charges in the future.

Valuation of Assets held for Sale

As of December 31, 2018, the Company had five disposal groups classified as held for sale. Current assets held for sale, net of current liabilities held for sale were $2.9 billion at December 31, 2018. Upon designation as held for sale, the Company s disposal groups are assessed for impairment by comparing the fair value of the disposal groups to their carrying values. The fair value of the disposal groups is estimated using a market multiple approach. For the year ended December 31, 2018, the Company recorded impairment charges of $697 million related to the Process Solutions disposal group, $131 million related to its Rexair disposal group, and $80 million related to its U.S. Playing Cards disposal group. The Company uses various assumptions to estimate fair value under the market multiple approach, including estimating the market multiples expected from the eventual sale of the disposal groups based on information obtained as a result of its marketing process.

Capitalized Software Costs

The Company capitalizes costs associated with internal-use software during the application development stage after both the preliminary project stage has been completed and the Company s management has authorized and committed to funding for further project development. Capitalized internal-use software costs include: (i) external direct costs of materials and services consumed in developing or obtaining the software; (ii) payroll and payroll-related costs for employees who are directly associated with and who devote time directly to the project; and (iii) interest costs incurred while developing the software. Capitalization of these costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose. The Company expenses as incurred research and development, general and administrative, and indirect costs associated with internal-use software. In addition, the Company expenses as incurred training, maintenance and other internal-use software costs incurred during the post-implementation stage. Costs associated with upgrades and enhancements of internal-use software are capitalized only if such modifications result in additional functionality of the software.

The Company amortizes internal-use software costs using the straight-line method over the estimated useful life of the software. Capitalized software costs are evaluated annually for indicators of impairment, including but not limited to a significant change in available technology or the manner in which the software is being used. Impaired items are written down to their estimated fair values.

Other Long-Lived Assets

The Company continuously evaluates whether impairment indicators related to its property, plant and equipment and other long-lived assets are present. These impairment indicators may include a significant decrease in the market price of a long-lived asset or asset group, a significant adverse change in the extent or manner in which a long-lived asset or asset group is being used or in its physical condition, or a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a forecast that demonstrates continuing losses associated with the use of a

long-lived asset or asset group. If impairment indicators are present, the Company estimates the future cash flows for the asset or group of assets. The sum of the undiscounted future cash flows attributable to the asset or group of assets is compared to their carrying amount. The cash flows are estimated utilizing various assumptions regarding future sales and expenses, working capital and proceeds from asset disposals on a basis consistent with the Company s forecasts. If the carrying amount exceeds the sum of the undiscounted future cash flows, the Company discounts the future cash flows using a discount rate required for a similar investment of like risk and records an impairment charge as the difference between the fair value and the carrying value of the asset group. Generally, the Company performs its testing of the asset group at the reporting unit level, as this is the lowest level for which identifiable cash flows are available.

Product Liability Reserves

The Company has a self-insurance program for product liability that includes reserves for self-retained losses and certain excess and aggregate risk transfer insurance. The Company uses historical loss experience combined with actuarial evaluation methods, review of significant individual files and the application of risk transfer programs in determining required product liability reserves. The Company s actuarial evaluation methods take into account claims incurred but not reported when determining the Company s product liability reserve. While the Company believes that it has adequately reserved for these claims, the ultimate outcome of these matters may exceed the amounts recorded by the Company, and such additional losses may be material to the Company s Consolidated Financial Statements.

Legal and Environmental Reserves

The Company is subject to losses resulting from extensive and evolving federal, state, local, and foreign laws and regulations, as well as contract and other disputes. The Company evaluates the potential legal and environmental losses relating to each specific case and estimates the probability and amount of loss based on historical experience and estimates of cash flows. The estimated losses take into account anticipated costs associated with investigative and remediation efforts where an assessment has indicated that a probable liability has been incurred and the cost can be reasonably estimated. No insurance recovery is taken into account in determining the Company s cost estimates or reserve, nor do the Company s cost estimates or reserve reflect any discounting for present value purposes, except with respect to long-term operations and maintenance, Comprehensive Environmental Response Compensation and Liability Act (CERCLA) and other matters which are estimated at present value.

Income Taxes

In accordance with relevant authoritative guidance, the Company accounts for deferred income taxes using the asset and liability approach. Under this approach, deferred income taxes are recognized based on the tax effects of temporary differences between the financial statement and tax bases of assets and liabilities, as measured by current enacted tax rates. Valuation allowances are recorded to reduce the deferred tax assets to an amount that will more likely than not be realized.

The Company s income tax provisions are based on calculations and assumptions that are subject to examination by the IRS and other tax authorities. Although the Company believes that the positions taken on previously filed tax returns are reasonable, it has established tax, interest and penalty reserves in recognition that various taxing authorities may challenge the positions taken, which could result in additional liabilities for taxes, interest and penalties. The Company regularly reviews its deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies.

For uncertain tax positions, the Company applies the provisions of relevant authoritative guidance, which requires application of a more likely than not threshold to the recognition and derecognition of tax positions. The Company s ongoing assessments of the more likely than not outcomes of tax authority examinations and related tax positions require significant judgment and can increase or decrease the Company s effective tax rate as well as impact operating results.

The Company s provision for income taxes is subject to volatility and could be favorably or adversely affected by earnings being higher or lower in countries that have lower tax rates and higher or lower in countries that have higher tax rates; by changes in the valuation of deferred tax assets and liabilities; by expiration of or lapses in tax-related legislation; by expiration of or lapses in tax incentives; by tax effects of nondeductible compensation; by changes in accounting principles; by liquidity needs driving repatriations of non-U.S. cash to the U.S.; or by changes in tax laws and regulations, including possible U.S. changes to the taxation of earnings of foreign subsidiaries, the deductibility of expenses attributable to foreign income, or the foreign tax credit rules.

The Company s effective tax rate differs from the statutory rate, primarily due to the tax impact of state taxes, foreign tax rates, tax credits, the domestic manufacturing deduction, tax audit settlements and valuation allowance adjustments. Significant judgment is required in evaluating uncertain tax positions, determining valuation allowances recorded against deferred tax assets, and ultimately, the income tax provision.

It is difficult to predict when resolution of income tax matters will occur and when recognition of certain income tax assets and liabilities is appropriate, and the Company s income tax expense in the future may continue to differ from the statutory rate because of the effects of similar items. For example, if items are favorably resolved or management determines a deferred tax asset is realizable that was previously reserved, the Company will recognize period tax benefits. Conversely, to the extent tax matters are unfavorably resolved or management determines a valuation allowance is necessary for a tax asset that was not previously reserved, the Company will recognize incremental period tax expense. These matters are expected to contribute to the tax rate differing from the statutory rate and continued volatility in the Company s effective tax rate.

See Footnote 17 of the Notes to Consolidated Financial Statements for further information.

Pensions and Postretirement Benefits

The Company records annual amounts relating to its pension and postretirement plans based on calculations, which include various actuarial assumptions, including discount rates, assumed rates of return, compensation increases, turnover rates and health care cost trend rates. The Company reviews its actuarial assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is deemed appropriate to do so. The effect of modifications is generally deferred and amortized over future periods. The Company believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience, market conditions and the input from its actuaries and investment advisors. The pension and postretirement obligations are measured as of December 31 for 2018 and 2017.

The Company employs a total return investment approach for its pension and postretirement benefit plans whereby a mix of equities and fixed income investments are used to maximize the long-term return of pension plan assets. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. The investment portfolios contain a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across geography and market capitalization through investments in U.S. large-capitalization stocks, U.S. small-capitalization stocks and international securities. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews.

The expected long-term rate of return for plan assets is based upon many factors including expected asset allocations, historical asset returns, current and expected future market conditions, risk and active management premiums. The target asset allocations for the Company s domestic pension plans may vary by plan, based in part due to plan demographics, funded status and liability duration. In general, the Company s target asset allocations are as follows: equities approximately 20% to 40%; fixed income approximately 40% to 60%; and cash, alternative investments and other, approximately 10% to 30% as of December 31, 2018. Actual asset allocations may vary from the targeted allocations for various reasons, including market conditions and the timing of transactions. The Company maintains numerous international defined benefit pension plans. The asset allocations for the international investment may vary by plan and jurisdiction and are primarily based upon the plan structure and plan participant profile. At December 31, 2018, the domestic plan assets were allocated as follows: Equities: approximately 16% and Other Investments (alternative investments, fixed-income securities, cash and other): approximately 84%. Actual asset allocations may vary from the targeted allocations for various reasons, including market conditions and the timing of transactions.

For 2018, 2017 and 2016, the actual return (loss) on plan assets for the Company s U.S. pension plan assets was approximately ($71) million, $172 million and $71 million, respectively, versus an expected return on plan assets of approximately $68 million, $73 million and $69 million, respectively. The actual amount of future contributions will depend, in part, on long-term actual return on assets and future discount rates. Pension contributions for all the Company s pension plans for 2019 are estimated to be approximately $24 million, which is consistent with the 2018 contributions.

The weighted average expected return on plan assets assumption for 2018 was approximately 5.1% for the Company s pension plans. The weighted average discount rate at the 2018 measurement date used to measure the pension and postretirement benefit obligations was approximately 3.7% and 4.0%, respectively. A 25 basis points decrease in the discount rate at the 2018 measurement date would increase the pension plans projected benefit obligation by approximately $53 million.

The healthcare cost trend rates used in valuing the Company s postretirement benefit obligation are established based upon actual healthcare cost trends and consultation with actuaries and benefit providers. At the 2018 measurement date, the current weighted average healthcare cost trend rate assumption was approximately 6.7%. The current healthcare cost trend rate gradually decreases to an ultimate healthcare cost trend rate of 4.5%. A one percentage point change in assumed healthcare cost trend rates would not have a material effect on the postretirement benefit obligation or the service and interest cost components of postretirement benefit costs.

See Footnote 14 of the Notes to Consolidated Financial Statements for additional information regarding the Company s pension and postretirement benefit plans.

Restructuring

The Company has and expects to continue to engage in restructuring activities, which requires management to utilize significant estimates related to the timing and amount of severance and other employee separation costs for workforce reductions and other separation programs, realizable values of assets made redundant or obsolete, lease cancellation costs, sublease income and other exit costs, including environmental and legal contingencies associated with restructuring activities. The Company accrues for severance and other employee separation costs under these activities when it is probable that benefits will be paid and the amount is reasonably estimable. The rates used in determining severance accruals are based on existing plans, historical experience and previously negotiated settlements. The Company accrues for future lease costs, net of management s estimate for future sublease income, when the leased property has been vacated and is no longer being used. When estimating the costs of exiting facilities, estimates are made regarding future sublease payments to be received, which can differ materially from actual results and result in additional restructuring costs in future periods. Environmental and legal contingencies associated with restructuring activities are accrued when the liability is probable of being incurred and is estimable.

Recent Accounting Pronouncements

See Item 8 of Part II, Financial Statements and Supplementary Data Footnote 1 Description of Business and Significant Accounting Policies Recent Accounting Pronouncements.

International Operations

For 2018, 2017 and 2016, the Company s non-U.S. businesses accounted for approximately 33%, 29% and 28% of net sales, respectively (see Footnote 18 of the Notes to Consolidated Financial Statements).

Table of Contents

Forward-Looking Statements

Forward-looking statements in this Report are made in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements generally can be identified by the use of words such as intend, anticipate, believe, estimate, project, target, plan, expect, will, should, would or similar Company cautions that forward-looking statements are not guarantees because there are inherent difficulties in predicting future results. In addition, there are no assurances that the company will complete any or all of the potential transactions referenced in this Annual Report on Form 10-K. Actual results may differ materially from those expressed or implied in the forward-looking statements. Important factors that could cause actual results to differ materially from those suggested by the forward-looking statements include, but are not limited to:

the Company s dependence on the strength of retail, commercial and industrial sectors of the economy in various parts of the world;

competition with other manufacturers and distributors of consumer products;

major retailers strong bargaining power and consolidation of the Company s customers;

the Company s ability to improve productivity, reduce complexity and streamline operations;

the Company s ability to develop innovative new products, to develop, maintain and strengthen end-user brands and to realize the benefits of increased advertising and promotion spend;

the Company s ability to remediate the material weakness in internal control over financial reporting and to maintain effective internal control over financial reporting;

risks related to the Company s substantial indebtedness, potential increases in interest rates or changes in the Company s credit ratings;

future events that could adversely affect the value of the Company s assets and/or stock price and require additional impairment charges;

the Company s ability to effectively accelerate its transformation plan and explore and execute its strategic options;

the Company s ability to complete planned divestitures, and other unexpected costs or expenses associated with dispositions;

- changes in the prices of raw materials and sourced products and the Company s ability to obtain raw materials and sourced products in a timely manner;
- the impact of governmental investigations or other actions or other activities by third parties;
- the risks inherent to the Company s foreign operations, including currency fluctuations, exchange controls and pricing restrictions;
- a failure of one of the Company s key information technology systems, networks, processes or related controls or those of the Company s services providers;
- the impact of United States or foreign regulations on the Company s operations, including the impact of tariffs and environmental remediation costs;
- the potential inability to attract, retain and motivate key employees;
- the resolution of tax contingencies resulting in additional tax liabilities;
- product liability, product recalls or related regulatory actions;
- the Company s ability to protect its intellectual property rights; and
- significant increases in the funding obligations related to the Company s pension plans.

The information contained in this Annual Report on Form 10-K is as of the date indicated. The Company assumes no obligation to update any forward-looking statements contained in this Annual Report on Form 10-K as a result of new information or future events or developments. In addition, there can be no assurance that the Company has correctly identified and assessed all of the factors affecting the Company or that the publicly available and other information the Company receives with respect to these factors is complete or correct.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

In general, business enterprises can be exposed to market risks including fluctuations in interest rates, foreign currency exchange rates and certain commodity prices, and that can affect the cost of operating, investing and financing under those conditions. The Company believes it has moderate exposure to these risks. The Company assesses market risk based on changes in interest rates, foreign currency rates and commodity prices utilizing a sensitivity analysis that measures the potential loss in earnings, fair values and cash flows based on hypothetical changes in rates and prices.

The Company is exposed to interest rate risk on its variable rate debt and price risk on its fixed rate debt. As such, the Company monitors the interest rate environment and uses interest rate swap agreements to manage its interest rate risk and price risk by balancing its exposure to fixed and variable interest rates while attempting to minimize interest costs. As of December 31, 2018, approximately $527 million of the Company s debt carries a variable rate of interest either by nature or through the use of interest rate swaps. The remainder of the debt (approximately $6.5 billion) carries a fixed rate of interest. Based upon the Company s debt structure at December 31, 2018, a hypothetical 1% increase in these interest rates would increase interest expense by approximately $5 million and decrease the fair values of debt by approximately $373 million.

While the Company transacts business predominantly in U.S. dollars and most of its revenues are collected in U.S. dollars, a substantial portion of the Company s operating costs are denominated in other currencies, such as the Brazilian Real, British Pound, Canadian dollar, Chinese Renminbi, European Euro, Japanese Yen and Mexican Peso. Changes in the relation of these and other currencies to the U.S. dollar will affect Company s sales and profitability and could result in exchange losses. For 2018, approximately 33% of the Company s sales were denominated in foreign currencies, the most significant of which were: European Euro-approximately 8%; and Canadian dollar-approximately 5%. The primary purpose of the Company s foreign currency hedging activities is to mitigate the foreign currency exchange rate exposure on the cash flows related to forecasted inventory purchases and sales. A hypothetical 10% change in foreign currency exchange rates would not have a material effect on foreign currency gains and losses related to the foreign currency derivatives or the net fair value of the Company s foreign currency derivatives.

The Company is exposed to the price risk that the rising cost of commodities has on certain of its raw materials. As such, the Company monitors the commodities markets and from time to time the Company enters into commodity-based derivatives in order to mitigate the impact that the rising price of these commodities has on the cost of certain of the Company s raw materials. A hypothetical 10% change in the commodity prices underlying the derivatives would not have a material effect on the related gains and losses included in the Company s results of operations.

The Company is exposed to credit loss in the event of non-performance by the counterparties to its derivative financial instruments, all of which are highly rated institutions; however, the Company does not anticipate non-performance by such counterparties.

The Company does not enter into derivative financial instruments for trading purposes.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Newell Brands Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Newell Brands Inc. and its subsidiaries (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, stockholders equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2018 appearing under Item 15 (collectively referred to as the consolidated financial statements). We also have audited the Company s internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO because a material weakness in internal control over financial reporting existed as of that date related to not designing and maintaining effective controls over the accounting for impact of divestitures.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management s Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2018 consolidated financial statements, and our opinion regarding the effectiveness of the Company s internal control over financial reporting does not affect our opinion on those consolidated financial statements.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for revenues from contracts with customers in 2018.

Basis for Opinions

The Company s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in management s report referred to above. Our responsibility is to express opinions on the Company s consolidated financial statements and on the Company s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Table of Contents

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

New York, New York

March 4, 2019

We have served as the Company s auditor since 2016.

Table of Contents

NEWELL BRANDS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in millions, except per share data)

Year Ended December 31,	2018	2017	2016
Net sales	$ 8,630.9	$ 9,552.0	$ 9,181.1
Cost of products sold	5,622.1	6,289.0	6,210.2
Gross profit	3,008.8	3,263.0	2,970.9
Selling, general and administrative expenses	2,434.8	2,705.6	2,610.6
Restructuring costs, net	80.5	87.6	62.2
Impairment of goodwill, intangibles and other assets	8,322.0	84.3	
Operating income (loss)	(7,828.5)	385.5	298.1
Non-operating expenses:			
Interest expense, net	446.3	469.1	404.2
Loss on extinguishment of debt	4.1	32.3	47.6
Other expense (income), net	(11.2)	(708.3)	(172.5)
Income (loss) before income taxes	(8,267.7)	592.4	18.8
Income tax expense (benefit)	(1,478.1)	(1,578.4)	57.1
Income from continuing operations	(6,789.6)	2,170.8	(38.3)
Income (loss) from discontinued operations, net of tax	(128.3)	578.0	566.1
Net income (loss)	$ (6,917.9)	$ 2,748.8	$ 527.8
Weighted average shares outstanding:			
Basic	473.7	486.7	421.3
Diluted	473.7	488.0	421.3
Earnings per share:			
Basic:			
Income (loss) from continuing operations	$ (14.33)	$ 4.46	$ (0.09)
Income (loss) from discontinued operations	(0.27)	1.19	1.34
Net income (loss)	$ (14.60)	$ 5.65	$ 1.25
Diluted:			
Income (loss) from continuing operations	$ (14.33)	$ 4.45	$ (0.09)
Income (loss) from discontinued operations	(0.27)	1.18	1.34
Net income (loss)	$ (14.60)	$ 5.63	$ 1.25

See Notes to Consolidated Financial Statements.

NEWELL BRANDS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in millions)

Year Ended December 31,	**2018**	**2017**	**2016**
Comprehensive income:			
Net income (loss)	$ (6,917.9)	$ 2,748.8	$ 527.8
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(173.8)	289.1	(196.2)
Unrecognized pension and postretirement costs	41.9	14.5	22.3
Derivative financial instruments	44.8	(21.9)	(37.1)
Total other comprehensive income (loss), net of tax	(87.1)	281.7	(211.0)
Comprehensive income (loss)	$ (7,005.0)	$ 3,030.5	$ 316.8

See Notes to Consolidated Financial Statements.

Table of Contents

NEWELL BRANDS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in millions, except par values)

December 31,	2018	2017
Assets:		
Cash and cash equivalents	$ 495.7	$ 485.7
Accounts receivable, net	1,850.7	1,879.3
Inventories, net	1,583.1	1,662.4
Prepaid expenses and other	278.0	327.9
Current assets held for sale	3,541.3	6,370.4
Total current assets	7,748.8	10,725.7
Property, plant and equipment, net	925.6	972.4
Goodwill	2,970.2	6,873.0
Other intangible assets, net	5,579.6	10,199.6
Deferred income taxes	165.2	144.8
Other assets	327.0	377.8
Noncurrent assets held for sale		3,842.2
Total assets	$ 17,716.4	$ 33,135.5
Liabilities:		
Accounts payable	$ 1,019.5	$ 1,226.8
Accrued compensation	159.1	85.9
Other accrued liabilities	1,182.3	1,271.9
Short-term debt and current portion of long-term debt	318.7	661.8
Current liabilities held for sale	650.4	1,661.3
Total current liabilities	3,330.0	4,907.7
Long-term debt	6,696.3	9,889.2
Deferred income taxes	1,041.8	2,552.7
Other noncurrent liabilities	1,370.5	1,362.1
Noncurrent liabilities held for sale		242.5
Total liabilities	12,438.6	18,954.2
Commitments and contingencies (Footnote 20)		
Stockholders equity:		
Preferred stock (10.0 authorized shares, $1.00 par value, no shares issued at December 31, 2018 and 2017)		
Common stock (800 authorized shares, $1.00 par value 446.1 shares and 508.1 shares issued at December 31, 2018 and 2017, respectively)	446.1	508.1
Treasury stock, at cost (23.3 and 22.9 shares at December 31, 2018 and 2017, respectively):	(584.7)	(573.5)

Additional paid-in capital	8,781.1	10,362.0
Retained earnings (deficit)	(2,486.7)	4,611.2
Accumulated other comprehensive loss	(912.8)	(763.1)
Stockholders equity attributable to parent	5,243.0	14,144.7
Stockholders equity attributable to noncontrolling interests	34.8	36.6
Total stockholders equity	5,277.8	14,181.3
Total liabilities and stockholders equity	$ 17,716.4	$ 33,135.5

See Notes to Consolidated Financial Statements.

44

Table of Contents

NEWELL BRANDS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in millions)

Year Ended December 31,	2018	2017	2016
Cash flows from operating activities:			
Net income (loss)	$ (6,917.9)	$ 2,748.8	$ 527.8
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	433.9	635.6	437.2
Impairment of goodwill, intangibles and other assets	9,789.5	85.0	
Net gain from sale of businesses	(832.9)	(713.0)	(161.1)
Loss on extinguishment of debt	(6.3)	(1.9)	47.6
Deferred income taxes	(1,597.9)	(1,781.8)	33.4
Stock-based compensation expense	75.7	70.9	63.9
Pension settlement charge (gain)		(2.4)	2.7
Other, net	4.2	11.0	44.7
Changes in operating assets and liabilities, excluding the effects of acquisitions and divestitures:			
Accounts receivable	161.7	288.7	(324.5)
Inventories	125.7	(350.4)	784.6
Accounts payable	(309.3)	211.0	282.0
Accrued liabilities and other	(246.4)	(235.3)	102.1
Net cash provided by operating activities	680.0	966.2	1,840.4
Cash flows from investing activities:			
Proceeds from sale of divested businesses	5,133.3	2,106.9	227.2
Acquisitions and acquisition-related activity		(634.3)	(8,635.2)
Capital expenditures	(384.4)	(406.2)	(441.4)
Other investing activities	58.5	12.1	24.6
Net cash provided by (used in) investing activities	4,807.4	1,078.5	(8,824.8)
Cash flows from financing activities:			
Net short-term debt	(903.5)	111.8	(641.4)
Loss on extinguishment of debt	(10.4)	(34.2)	
Proceeds from issuance of debt, net of debt issuance costs			9,414.6
Payments on long-term debt	(2,579.9)	(1,512.2)	(1,100.0)
Repurchase and retirement of shares of common stock	(1,507.3)	(152.4)	
Cash dividends	(434.6)	(428.6)	(328.6)
Payments to dissenting shareholders		(161.6)	
Option proceeds net of repurchase of restricted shares for vesting	(18.8)	(18.6)	(16.1)

Net cash provided by (used in) financing activities	(5,454.5)	(2,195.8)	7,328.5
Exchange rate effect on cash and cash equivalents	(22.9)	49.3	(31.4)
Increase (decrease) in cash and cash equivalents	10.0	(101.8)	312.7
Cash and cash equivalents at beginning of period	485.7	587.5	274.8
Cash and cash equivalents at end of period	$ 495.7	$ 485.7	$ 587.5
Supplemental disclosures:			
Net cash provided by discontinued operating activities	$ 155.9	$ 131.8	$ 172.1
Net cash provided by (used in) discontinued investing activities	4,983.9	(137.6)	(162.1)
Capital expenditures for discontinued operations	(155.4)	(140.0)	(149.3)
Common stock issued for Jarden Acquisition			9,480.3
Debt assumed, at fair value, in the Jarden Acquisition			1,198.7
Cash paid for income taxes, net of refunds	292.0	261.8	189.2
Cash paid for interest	457.6	459.4	316.0

See Notes to Consolidated Financial Statements.

Table of Contents

NEWELL BRANDS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(Amounts in millions)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Stockholders Equity Attributable to Parent	Non-controlling Interests	Total Stockholders Equity
Balance at December 31, 2015	$ 287.5	$ (523.1)	$ 801.4	$ 2,090.9	$ (833.8)	$ 1,822.9	$ 3.5	$ 1,826.4
Comprehensive income				527.8	(211.0)	316.8		316.8
Cash dividends on common stock				(328.6)		(328.6)		(328.6)
Stock-based compensation and other	3.4	(22.2)	76.4	(0.2)		57.4	32.1	89.5
Equity issued for acquisition	213.9		9,266.4			9,480.3		9,480.3
Balance at December 31, 2016	$ 504.8	$ (545.3)	$ 10,144.2	$ 2,289.9	$ (1,044.8)	$ 11,348.8	$ 35.6	$ 11,384.4
Comprehensive income				2,748.8	281.7	3,030.5		3,030.5
Cash dividends on common stock				(427.5)		(427.5)		(427.5)
Stock-based compensation and other	8.3	(28.2)	365.2			345.3	1.0	346.3
Common stock purchased and retired	(5.0)		(147.4)			(152.4)		(152.4)
Balance at December 31, 2017	$ 508.1	$ (573.5)	$ 10,362.0	$ 4,611.2	$ (763.1)	$ 14,144.7	$ 36.6	$ 14,181.3
Comprehensive income (loss)				(6,917.9)	(87.1)	(7,005.0)		(7,005.0)
Cash dividends on common stock			(210.7)	(224.8)		(435.5)		(435.5)
Stock-based compensation and other	1.3	(11.2)	73.8			63.9	(1.8)	62.1
Common stock purchased and	(63.3)		(1,444.0)			(1,507.3)		(1,507.3)

retired								
Reclassifications				44.8	(62.6)	(17.8)		(17.8)
Balance at December 31, 2018	$ 446.1	$ (584.7)	$ 8,781.1	$ (2,486.7)	$ (912.8)	$ 5,243.0	$ 34.8	$ 5,277.8

See Notes to Consolidated Financial Statements.

46

Table of Contents

NEWELL BRANDS INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Footnote 1 Description of Business and Significant Accounting Policies

Description of Business

Newell Brands is a leading global consumer goods company with a strong portfolio of well-known brands, including Paper Mate®, Sharpie®, Dymo®, EXPO®, Parker®, Elmer's®, Coleman®, Marmot®, Oster®, Sunbeam®, FoodSaver®, Mr. Coffee®, Graco®, Baby Jogger®, NUK®, Calphalon®, Rubbermaid®, Contigo®, First Alert® and Yankee Candle®. For hundreds of millions of consumers, Newell Brands makes life better every day, where they live, learn, work and play. The Company s multi-product offering consists of well-known, name brand consumer and commercial products. Effective June 30, 2018, the Company changed its reporting structure and began reporting its financial results in the following business segments: Food and Appliances, Home and Outdoor Living, Learning and Development and Other (see Footnote 19 for additional information). All prior periods have been reclassified to conform to the current reporting structure.

Additionally, the Company has revised the classification of certain items, principally related to customer supply chain related payments, in its consolidated statement of operations for 2017. The impact on the Consolidated Statements of Operations for the three months ended March 31, 2017, June 30, 2017, September 30, 2017, and the year ended December 31, 2017, was a decrease to net sales and a corresponding decrease to cost of products sold of $1.8 million, $15.9 million, $12.9 million and $40.1 million, respectively. The impact on discontinued operations for the three months ended March 31, 2017, June 30, 2017, September 30, 2017, and the year ended December 31, 2017, was a decrease to net sales and a corresponding decrease to cost of products sold of $1.3 million, $1.6 million, $1.7 million and $7.3 million, respectively. The impact of this revision was not material to the Consolidated Statements of Operations for any period and there was no impact to the Company s Consolidated Balance Sheet at December 31, 2017, or Consolidated Statements of Cash Flows and Statements of Stockholders Equity for any periods in the year ended December 31, 2017.

Discontinued Operations

During 2018, the Company implemented the Accelerated Transformation Plan, which was designed in part, to rationalize the organization and its portfolio of products. Pursuant to the Accelerated Transformation Plan, a number of the Company s businesses were designated for disposal. At December 31, 2018, these businesses have been classified as discontinued operations as these businesses together represent a strategic shift that has a major effect on the Company s operations and financial results (see Footnote 4). Prior periods have been reclassified to conform with the current presentation. As of December 31, 2018, the expected form of sale for certain businesses designated for disposal has changed since the Company s original assumptions, which has resulted in the reclassification of certain items, primarily related to income taxes.

Principles of Consolidation

The consolidated financial statements include the consolidated accounts of the Company and have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP).

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries after elimination of intercompany transactions and balances.

Use of Estimates

The preparation of these consolidated financial statements requires the use of certain estimates by management in determining the Company s assets, liabilities, sales and expenses, and related disclosures. Actual results could differ from those estimates.

Other Items

The Company holds a 23.4% investment in Sprue Aegis (Sprue). During the year ended December 31, 2018, 2017 and 2016, the Company s related party sales to Sprue were $8.4 million, $33.5 million and $23.2 million, respectively. On March 31, 2018, the Company terminated its distribution agreement with Sprue.

During the year ended December 31, 2018, 2017 and 2016, the income attributable to non-controlling interests was $1.6 million, $3.5 million and $1.9 million, respectively.

Concentration of Credit Risk

The Company sells products to customers in diversified industries and geographic regions and, therefore, has no significant concentrations of credit risk. The Company continuously evaluates the creditworthiness of its customers and generally does not require collateral.

The Company evaluates the collectability of accounts receivable based on a combination of factors. When aware of a specific customer s inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer s operating results or financial position, the Company records a specific reserve for bad debt to reduce the related receivable to the amount the Company reasonably believes is collectible. The Company also records reserves for bad debt for all other customers based on a variety of factors, including the length of time the receivables are past due and historical collection experience. Accounts are also reviewed for potential write-off on a case-by-case basis. Accounts deemed uncollectible are written off, net of expected recoveries. If circumstances related to specific customers change, the Company s estimates of the recoverability of receivables could be further adjusted.

The Company s forward exchange contracts do not subject the Company to risk due to foreign exchange rate movement, because gains and losses on these instruments generally offset gains and losses on the assets, liabilities and other transactions being hedged. The Company is exposed to credit-related losses in the event of non-performance by counterparties to certain derivative financial instruments. The Company does not obtain collateral or other security to support derivative financial instruments subject to credit risk, but monitors the credit standing of the counterparties.

Sales Recognition, Customer Programs and Variable Consideration

The Company recognizes revenue when performance obligations under the terms of a contract with the customer are satisfied and are recognized at a point in time, which generally occurs either on shipment or on delivery based on contractual terms, which is also when control is transferred. The Company s primary performance obligation is the distribution and sales of its consumer and commercial products to its customers. Prior to the adoption of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (Topic 606), the Company deferred recognition of revenue for limited FOB shipping point transactions where it had a practice of providing the buyer with replacement goods at no additional cost if there was loss or damage while the goods were in transit. Effective on January 1, 2018 under Topic 606, the Company recognizes revenue at the time of shipment for these transactions.

The Company measures revenue as the amount of consideration for which it expects to be entitled in exchange for transferring goods or providing services. Certain customers may receive cash and/or non-cash incentives such as cash discounts, returns, credits or reimbursements related to defective products, customer discounts (such as volume or trade discounts), cooperative advertising and other customer-related programs, which are accounted for as variable consideration. In some cases, the Company must apply judgment, including contractual rates and historical payment trends, when estimating variable consideration.

In addition, the Company participates in various programs and arrangements with customers designed to increase the sale of products by these customers. Among the programs negotiated are arrangements under which allowances are earned by customers for attaining agreed-upon sales levels or for participating in specific marketing programs. Coupon programs are also developed on a customer- and territory-specific basis with the intent of increasing sales by all customers.

Under customer programs and arrangements that require sales incentives to be paid in advance, the Company amortizes the amount paid over the period of benefit or contractual sales volume. When incentives are paid in arrears, the Company accrues the estimated amount to be paid based on the program s contractual terms, expected customer

performance and/or estimated sales volume.

The Company sells gift cards to customers in its retail stores, third-party retail stores and through consumer direct operations. Gift cards do not have an expiration date. At the point of sale of a gift card, the Company records deferred revenue. Gift card revenue is recognized when the gift card is redeemed by the customer or the likelihood of the gift card being redeemed by the customer is remote (gift card breakage). Gift card breakage income is recognized in proportion to the actual redemption of gift cards based on the Company s historical redemption pattern and is included in net sales in the Company s Consolidated Statements of Operations.

For further information regarding revenue recognition see Footnote 2.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and highly liquid investments that have a maturity of three months or less when purchased.

Inventories

Inventories are stated at the lower of cost or market value using the last-in, first-out (LIFO) or first-in, first-out (FIFO) methods (see Footnote 7 for additional information). The Company reduces its inventory value for estimated obsolete and slow-moving inventory in an amount equal to the difference between the cost of inventory and the net realizable value based upon estimates about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Expenditures for maintenance and repairs are expensed as incurred. Depreciation expense is calculated principally on the straight-line basis. Useful lives determined by the Company are as follows: buildings and improvements (20 40 years) and machinery and equipment (3 15 years).

Goodwill and Other Indefinite-Lived Intangible Assets

The Company conducts its annual test for impairment of goodwill and indefinite-lived intangible assets as of July 1.

The Company evaluates goodwill for impairment annually at the reporting unit level. The Company also tests for impairment if events and circumstances indicate that it is more likely than not that the fair value of a reporting unit is below its carrying amount. If the carrying amount of the reporting unit is greater than the fair value, impairment will be present. The Company assesses the fair value of each reporting unit for its goodwill impairment test based on a discounted cash flow model. Estimates critical to the Company s fair value estimates under the discounted cash flow model include projected financial performance and cash flows of the reporting unit, the discount rate, long-term sales growth rate, product and overhead costs and the working capital investment required.

The Company measures the amount of any goodwill impairment by comparing the fair value to the carrying value of the reporting unit. An impairment charge is recognized to the extent the carrying value of the reporting unit exceeds the fair value.

The Company evaluates indefinite-lived intangible assets (primarily trademarks and trade names) for impairment annually. The Company also tests for impairment if events and circumstances indicate that it is more likely than not that the fair value of an indefinite-lived intangible asset is below its carrying amount. Estimates critical to the Company s evaluation of indefinite-lived intangible assets for impairment include the discount rate, royalty rates and assumptions on excess earnings, where applicable, used in its evaluation of trade names, projected average revenue growth and projected long-term growth rates in the determination of terminal values. An impairment charge is recorded if the carrying amount of an indefinite-lived intangible asset exceeds the estimated fair value on the measurement date.

See Footnote 9 for additional detail on goodwill and other intangible assets.

Valuation of Assets held for Sale

As of December 31, 2018, the Company had five disposal groups classified as held for sale. Current assets held for sale, net of current liabilities held for sale were $2.9 billion at December 31, 2018. Upon designation as held for sale, the Company s disposal groups are assessed for impairment by comparing the fair value of the disposal groups to their carrying values. The fair value of the disposal groups is estimated using a market multiple approach. For the year ended December 31, 2018, the Company recorded impairment charges of $697 million related to the Process

Solutions disposal group, $131 million related to its Rexair disposal group, and $80 million related to its U.S. Playing Cards disposal group, which were held for sale as of December 31, 2018. The Company uses various assumptions to estimate fair value under the market multiple approach, including estimating the market multiples expected from the eventual sale of the disposal groups based on information obtained as a result of its marketing process.

Other Long-Lived Assets

The Company tests its other long-lived assets for impairment in accordance with relevant authoritative guidance. The Company evaluates if impairment indicators related to its property, plant and equipment and other long-lived assets are present. These impairment indicators may include a significant decrease in the market price of a long-lived asset or asset group, a significant adverse change in the extent or manner in which a long-lived asset or asset group is being used or in its physical condition, or a current period operating or cash flow loss combined with a history of operating or cash flow losses or a forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group. If impairment indicators are present, the Company estimates the future cash flows for the asset or group of assets. The sum of the undiscounted future cash flows attributable to the asset or group of assets is compared to their carrying amount. The cash flows are estimated utilizing various projections of sales and expenses, working capital and proceeds from asset disposals on a basis consistent with the strategic plan. If the carrying amount exceeds the sum of the undiscounted future cash flows, the Company determines the assets fair value by discounting the future cash flows using a discount rate required for a similar investment of like risk and records an impairment charge as the difference between the fair value and the carrying value of the asset group. Generally, the Company performs its testing of the asset group at the reporting unit level, as this is the lowest level for which identifiable cash flows are available.

Shipping and Handling Costs

The Company records shipping and handling costs as a component of cost of products sold.

Product Liability Reserves

The Company has a self-insurance program for product liability that includes reserves for self-retained losses and certain excess and aggregate risk transfer insurance. The Company uses historical loss experience combined with actuarial evaluation methods, review of significant individual files and the application of risk transfer programs in determining required product liability reserves. The Company s actuarial evaluation methods take into account claims incurred but not reported when determining the Company s product liability reserve. While the Company believes that it has adequately reserved for these claims, the ultimate outcome of these matters may exceed the amounts recorded by the Company, and such additional losses may be material to the Company s Consolidated Financial Statements.

Product Warranties

In the normal course of business, the Company offers warranties for a variety of its products. The specific terms and conditions of the warranties vary depending upon the specific product and markets in which the products were sold. The Company accrues for the estimated cost of product warranty at the time of sale based on historical experience.

Advertising Costs

The Company expenses production costs of print, radio, television and other advertisements as of the first date the advertisements take place, and the Company expenses all other advertising and marketing costs when incurred. Advertising and promotion costs are recorded in selling, general and administrative expenses and totaled $374 million, $447 million and $364 million in 2018, 2017 and 2016, respectively.

Research and Development Costs

Research and development costs relating to both future and current products are charged to selling, general and administrative expenses as incurred. These costs totaled $135 million, $158 million and $147 million in 2018, 2017 and 2016, respectively.

Derivative Financial Instruments

Derivative financial instruments are generally used to manage certain commodity, interest rate and foreign currency risks. These instruments primarily include interest rate swaps, forward starting interest rate swaps, forward exchange contracts and options. The Company s forward exchange contracts and options do not subject the Company to exchange rate risk because gains and losses on these instruments generally offset gains and losses on the assets, liabilities and other transactions being hedged. However, these instruments, when settled, impact the Company s cash flows from operations to the extent the underlying transaction being hedged is not simultaneously settled due to an extension, a renewal or otherwise.

On the date when the Company enters into a derivative, the derivative is designated as a hedge of the identified exposure. The Company measures effectiveness of its hedging relationships both at hedge inception and on an ongoing basis.

Foreign Currency Operations

Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at the rates of exchange in effect at year-end. The related translation adjustments are made directly to accumulated other comprehensive income (loss). Income and expenses are translated at the average monthly rates of exchange in effect during the year. Foreign currency transaction gains and losses are included in the results of operations and are generally classified in other (income) expense, net, in the Consolidated Statements of Operations. Foreign currency transaction net losses for 2018, 2017 and 2016 were $8.3 million, $11.3 million and $3.1 million, respectively.

The Company designates certain foreign currency denominated, long-term intercompany financing transactions as being of a long-term investment nature and records gains and losses on the transactions arising from changes in exchange rates as translation adjustments.

Table of Contents

Income Taxes

The Company accounts for deferred income taxes using the asset and liability approach. Under this approach, deferred income taxes are recognized based on the tax effects of temporary differences between the financial statement and tax bases of assets and liabilities, as measured by current enacted tax rates. Valuation allowances are recorded to reduce the deferred tax assets to an amount that will more likely than not be realized.

The Company s income tax provisions are based on calculations and assumptions that are subject to examination by various worldwide tax authorities. Although the Company believes that the positions taken on previously filed tax returns are reasonable, it has established tax, interest and penalty reserves in recognition that various taxing authorities may challenge the positions taken, which could result in additional liabilities for taxes, interest and penalties. The Company regularly reviews its deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies.

The authoritative guidance requires application of a more likely than not threshold to the recognition and derecognition of tax positions. The Company s ongoing assessments of the more likely than not outcomes of tax authority examinations and related tax positions require significant judgment and can increase or decrease the Company s effective tax rate, as well as impact operating results.

Stock-Based Compensation

Stock-based compensation expense is adjusted for estimated forfeitures and is recognized on a straight-line basis over the requisite service period of the award, which is generally three years for stock options and one to three years for restricted stock units and performance-based restricted stock units. The Company estimates future forfeiture rates based on its historical experience (see Footnote 16 for additional information).

Recent Accounting Pronouncements

Changes to U.S. Generally Accepted Accounting Principles (GAAP) are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB s Accounting Standards Codification. The Company considers the applicability and impact of all ASUs.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize a right-of-use asset and lease liability on the balance sheet. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. ASU 2016-02 is effective for the Company on January 1, 2019 and, pursuant to the standard, the Company will adopt the new standard effective January 1, 2019 using the optional transition method and will not restate comparative periods. The Company is electing the package of practical expedients permitted under the transition guidance, as well as choosing to combine lease and non-lease components and to keep leases with an initial term of 12 months or less off the balance sheet and recognize the associated lease payments in the Consolidated Statements of Operations on a straight-line basis over the lease term. The Company is in the process of determining the impact of the adoption of ASU 2016-02 on the Company s Consolidated Financial Statements, but this standard will have a material impact on the Consolidated Balance Sheets. See Note 13 for a summary of the Company s undiscounted minimum rental commitments under operating leases as of December 31, 2018.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities.* ASU 2017-12 amends existing guidance to better align an entity s risk

management activities and financial reporting for hedging relationships. ASU 2017-12 also expands and refines hedge accounting for both nonfinancial and financial risk components and aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. ASU 2017-12 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those annual periods. The Company is evaluating the impact the adoption of ASU 2017-12 will have on the Company s consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles Goodwill and Other Internal-Use Software (Subtopic 350-40): Customer s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* ASU 2018-15 clarifies the accounting treatment for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. ASU 2018-15 is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2019, with early adoption permitted. ASU 2018-15 may be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is currently assessing the impact that adoption of ASU 2018-15 will have on the consolidated financial statements.

Other recently issued ASUs were assessed and determined to be either not applicable or are expected to have a minimal impact on the Company s consolidated financial position and results of operations.

Adoption of New Accounting Guidance

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The Company adopted ASU 2014-09 and all the related amendments (Topic 606) on January 1, 2018, using the modified retrospective transition method and applied this approach to contracts not completed as of that date. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The adoption of Topic 606 did not result in a material adjustment to the opening balance of retained earnings. The Company does not expect the adoption of Topic 606 to have a material impact to its net income on an ongoing basis.

The cumulative effect of the changes made to the Consolidated Balance Sheet at January 1, 2018 from the adoption of Topic 606 were as follows (in millions):

	Balance at December 31, 2017	Adjustments due to Topic 606	Balance at January 1, 2018
Accounts receivable, net	$ 1,879.3	$ 100.3	$ 1,979.6
Prepaid expenses and other	327.9	14.6	342.5
Current assets held for sale	6,370.4	21.3	6,391.7
Noncurrent assets held for sale	3,842.2	33.8	3,876.0
Other accrued liabilities	1,271.9	114.9	1,386.8
Current liabilities held for sale	1,661.3	21.3	1,682.6
Noncurrent liabilities held for sale	242.5	33.8	276.3
Retained earnings	4,611.2		4,611.2

As part of Topic 606, the Company reclassified items such as cash discounts, allowances for returns, and credits or incentives provided to customers from accounts receivable, net to other accrued liabilities as of the adoption date. These items are accounted for as variable consideration when estimating the amount of revenue to recognize. Also as part of the new standard, the Company recognizes right to recover assets associated with its estimated allowances for returns in prepaid expenses and other, which were previously netted against the allowance for returns included in accounts receivable, net.

The impact of adoption of Topic 606 on the Consolidated Balance Sheet and Consolidated Statement of Operations as of and for the period indicated was as follows (in millions):

	December 31, 2018		
	As Reported	Excluding Adjustments due to Topic 606	As Adjusted
Accounts receivable, net	$ 1,850.7	$ (109.2)	$ 1,741.5
Inventory, net	1,583.1	0.3	1,583.4
Prepaid expenses and other	278.0	(14.7)	263.3

Current assets held for sale	3,541.3	(36.7)	3,504.6
Other accrued liabilities	1,182.3	(123.1)	1,059.2
Current liabilities held for sale	650.4	(36.7)	613.7
Retained deficit	(2,486.7)	(0.5)	(2,487.2)

	Year Ended December 31, 2018		
	As Reported	Excluding Adjustments due to Topic 606	As Adjusted
Net sales	$ 8,630.9	$ 192.0	$ 8,822.9
Cost of products sold	5,622.1	184.3	5,806.4
Selling, general and administrative expenses	2,434.8	8.4	2,443.2
Operating loss	(7,828.5)	(0.7)	(7,829.2)
Income tax benefit	(1,478.1)	(0.2)	(1,478.3)
Loss from continuing operations	(6,789.6)	(0.5)	(6,790.1)
Loss from discontinued operations, net of tax	(128.3)		(128.3)
Net loss	(6,917.9)	(0.5)	(6,918.4)

Certain costs and cash payments made to customers previously recorded in costs of products sold and selling, general and administrative expenses have been reclassified against net sales as they do not meet the specific criteria to qualify as a distinct good or service under the new guidance, primarily related to payments to customers for defective products under warranty.

Table of Contents

Refer to Footnote 2 for additional information regarding the Company s adoption of Topic 606.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.* ASU 2016-15 provides guidance on the classification of certain cash receipts and payments in the statement of cash flows, including debt prepayment and debt extinguishment costs. ASU 2016-15 is effective for annual periods beginning after December 15, 2017 and the Company retrospectively adopted ASU 2016-15 effective January 1, 2018. As a result of the adoption ASU 2016-15, the Company reclassified $34.2 million of certain debt extinguishment payments, which had the effect of increasing the Company s cash provided by operating activities and increasing net cash used in financing activities by $34.2 million for 2017.

In October 2016, the FASB issued ASU 2016-16, Intra-Entity Transfers of Assets Other Than Inventory (Topic 740), which requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. ASU 2016-16 is effective for annual and interim periods beginning after December 15, 2017. The Company adopted ASU 2016-16 effective January 1, 2018. As a result of the adoption of ASU 2016-16, the Company recorded an adjustment as of January 1, 2018, that reduced retained earnings and prepaid expenses and other by $17.8 million.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash.* The new guidance is intended to reduce diversity in practice by adding or clarifying guidance on classification and presentation of changes in restricted cash on the statement of cash flows. ASU 2016-18 required disclosure of the nature and amounts of restricted cash. ASU 2016-18 is effective for annual and interim periods beginning after December 15, 2017. The Company retrospectively adopted ASU 2016-18 effective January 1, 2018 and the impact was not material to the Company s Consolidated Financial Statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* ASU 2017-07 changes how employers that sponsor defined benefit pension plans and other postretirement plans present the net periodic benefit cost in the income statement. ASU 2017-07 requires that the service cost component of net periodic benefit cost be reported in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. ASU 2017-07 also allows only the service cost component to be eligible for capitalization, when applicable. This guidance is effective for annual periods beginning after December 15, 2017, with early adoption permitted. ASU 2017-07 is to be applied retrospectively for the income statement presentation requirements and prospectively for the capitalization requirements of the service cost component. The Company adopted this guidance in the first quarter of 2018 and retrospectively reclassified the other components of net periodic pension cost and net periodic postretirement benefit cost using the practical expedient permitted under the guidance. As a result, $11.9 million and $8.4 million, respectively of income was reclassified from selling, general and administrative expenses (SG&A) to other expense (income), net, for 2017 and 2016 (see Footnote 14).

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.* ASU No. 2018-02 provides companies with an option to reclassify stranded tax effects within accumulated other comprehensive income (AOCI) to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or portion thereof) is recorded. ASU No. 2018-02 also requires disclosure of the accounting policy for releasing income tax effects from AOCI and whether an election was made to reclassify the stranded income tax effects from the Tax Cuts and Jobs Act. ASU No. 2018-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. Companies can

adopt the provisions of ASU 2018-02 in either the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The Company adopted this guidance in the second quarter of 2018 and reclassified the stranded income tax effects from the Tax Cuts and Jobs Act from AOCI of $62.6 million to retained earnings (see Footnote 5).

Other recently issued ASUs were assessed and determined to be either not applicable or are expected to have a minimal impact on the Company s consolidated financial position and results of operations.

Footnote 2 Revenue Recognition

Net sales include sales of consumer and commercial products across the Company s four segments: Food and Appliances, Home and Outdoor Living, Learning and Development and Other. In accordance with Topic 606, the Company recognizes revenue when performance obligations under the terms of a contract with the customer are satisfied, which generally occurs either on shipment or on delivery based on contractual terms. Timing of revenue recognition for the majority of the Company s sales remains consistent between the new and old revenue standard. However, previously under Topic 605, the Company deferred recognition of revenue for limited FOB shipping point transactions where it had a practice of providing the buyer with replacement goods at no additional cost if there was loss or damage while the goods were in transit. Under Topic 606, the Company recognizes revenue at the time of shipment for these transactions. This change did not have a material impact on the Company s Consolidated Financial Statements upon adoption on January 1, 2018.

Table of Contents

The Company measures revenue as the amount of consideration for which it expects to be entitled in exchange for transferring goods or providing services. Certain customers may receive cash and/or non-cash incentives such as cash discounts, returns, customer discounts (such as volume or trade discounts), cooperative advertising and other customer-related programs, which are accounted for as variable consideration. In some cases, the Company must apply judgment, including contractual rates and historical payment trends, when estimating variable consideration.

Sales taxes and other similar taxes are excluded from revenue. The Company has elected to account for shipping and handling activities as a fulfillment cost as permitted by the standard. The Company has elected not to disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which revenue is recognized at the amount to which it has the right to invoice for services performed.

The following table disaggregates revenue by major product grouping source and geography for the year ended December, 31 (in millions):

	2018				
	Food and Appliances	**Home and Outdoor Living**	**Learning and Development**	**Other**	**Total**
Appliances and Cookware	$ 1,813.1	$		$	$ 1,813.1
Food	886.0				886.0
Connected Home and Security		376.5			376.5
Home Fragrance		1,054.5			1,054.5
Outdoor and Recreation		1,515.7			1,515.7
Baby and Parenting			1,132.7		1,132.7
Writing			1,848.9		1,848.9
Other				3.5	3.5
Total	$ 2,699.1	$ 2,946.7	2,981.6	$ 3.5	$ 8,630.9
North America	$ 1,942.2	$ 2,174.7	$ 2,082.4	$ 3.1	$ 6,202.4
International	756.9	772.0	899.2	0.4	2,428.5
Total	$ 2,699.1	$ 2,946.7	2,981.6	$ 3.5	$ 8,630.9

Accounts Receivable, Net

Accounts receivables, net, include amounts billed and due from customers. Payment terms vary but generally are 90 days or less. The Company evaluates the collectability of accounts receivable based on a combination of factors. When aware of a specific customer s inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer s operating results or financial position, the Company records a specific reserve for bad debt to reduce the related receivable to the amount the Company reasonably believes is collectible. The Company also records reserves for bad debt for all other customers based on a variety of factors, including the length of time the receivables are past due and historical collection experience. Accounts deemed uncollectible are written off, net of expected recoveries.

During the 2018, the Company wrote-off $35.7 million, primarily related to one of its former top 10 customers in the Baby and Parenting division within the Learning and Development segment, who filed for liquidation of its bankrupt operations 2018.

At December 31, 2018 and 2017, accounts receivables are net of allowances of $21.7 million and $28.5 million, respectively.

Footnote 3 Acquisitions and Mergers

2017 Activity

In September 2017, the Company acquired Chesapeake Bay Candle, a leading developer, manufacturer and marketer of premium candles and other home fragrance products, focused on consumer wellness and natural fragrance, for a cash purchase price of approximately $75 million. Chesapeake Bay Candle is included in the Home and Outdoor Living segment from the date of acquisition.

In April 2017, the Company acquired Sistema Plastics (Sistema), a leading New Zealand based manufacturer and marketer of innovative food storage containers with strong market shares and presence in Australia, New Zealand, U.K. and parts of continental Europe for a cash purchase price of approximately $472 million. Sistema is included in the Food and Appliances segment from the date of acquisition.

In January 2017, the Company acquired Smith Mountain Industries (Smith Mountain), a leading provider of premium home fragrance products, sold primarily under the WoodWick® Candle brand, for a cash purchase price of approximately $100 million. Smith Mountain is included in the Home and Outdoor Living segment from the date of acquisition.

2016 Activity

On April 15, 2016, the Company acquired Jarden for total consideration of $18.7 billion including cash paid, shares issued and debt assumed, net of cash acquired (the Jarden Acquisition). The total consideration paid or payable for shares of Jarden common stock was approximately $15.3 billion, including $5.4 billion of cash and $9.9 billion of the Company s common stock. The Jarden Acquisition was accounted for using the purchase method of accounting, and accordingly, Jarden s results of operations are included in the Company s results of operations since the acquisition date. Jarden was a leading, global consumer products company with leading brands such as Yankee Candle®, Crock-Pot®, FoodSaver®, Mr. Coffee®, Oster®, Coleman®, First Alert®, Marmot® and many others.

At December 31, 2018, the Company has accrued approximately $171 million of unpaid consideration related to approximately 2.5 million shares of the Company s common stock that have not been issued and approximately $61 million of cash that has not been paid to the former holders of Jarden shares who are exercising their right to judicial appraisal under Delaware law. Absent consent by the Company, these dissenting shareholders are no longer entitled to the merger consideration, but are instead entitled only to the judicially determined fair value of their shares, plus interest accruing from the date of the acquisition of Jarden, payable in cash (see Footnote 20).

Other Items

The goodwill associated with the acquisitions is primarily attributable to synergies expected to arise after the acquisitions. At December 31, 2018, approximately $255 million of the goodwill is expected to be deductible for income tax purposes.

Footnote 4 Divestitures and Held for Sale

Discontinued Operations

As part of the Company s Accelerated Transformation Plan, during 2018, the Company announced it was exploring strategic options for its industrial and commercial product assets, including The Waddington Group, Process Solutions, Rubbermaid Commercial Products, Rexair and Mapa businesses, as well as non-core consumer businesses, including Jostens, Pure Fishing, Rawlings, Rubbermaid Outdoor, Closet, Refuse and Garage, Goody Products and U.S. Playing Cards businesses. These businesses are classified as discontinued operations at December 31, 2018. Prior periods have been reclassified to conform with the current presentation. During 2018, the Company sold Goody Products, Inc. (Goody), Jostens, Inc. (Jostens), Pure Fishing, Inc. (Pure Fishing), the Rawlings Sporting Goods Company, Inc. (Rawlings) and Waddington Group, Inc. (Waddington) and other related subsidiaries as part of the Accelerated Transformation Plan. The Company expects to complete the remaining divestitures by the end of 2019.

The following table provides a summary of amounts included in discontinued operations for the years ended December 31, (in millions):

	2018	2017	2016

Net sales (1)	$ 4,402.2	$ 5,142.8	$ 4,055.2
Cost of products sold (1)	2,812.5	3,316.5	2,627.3
Selling, general and administrative expenses	836.8	971.6	621.3
Restructuring costs, net	9.5	24.3	12.7
Impairment of goodwill, intangibles and other assets	1,467.5	0.7	
Operating income (loss)	(724.1)	829.7	793.9
Non-operating expense (income) (2)	(831.9)	(6.9)	(1.1)
Income before income taxes	107.8	836.6	795.0
Income tax expense	236.1	258.6	228.9
Net income (loss)	$ (128.3)	$ 578.0	$ 566.1

(1) 2018 includes a reclassification from cost of products sold to net sales of $51.3 million related to the adoption of Topic 606. See Footnotes 1 and 2 for additional information regarding the Company s adoption of Topic 606.

(2) 2018 includes a gain on sale of discontinued operations of $832 million.

Table of Contents

Held for Sale

The following table presents information related to the major classes of assets and liabilities that were classified as assets and liabilities held for sale in the Consolidated Balance Sheets as of December 31, (in millions):

	2018	2017
Accounts receivable, net	$ 411.7	$ 794.7
Inventories, net	338.7	836.4
Prepaid expenses and other	40.4	87.6
Property, plant and equipment, net (1) (2)	515.9	291.9
Goodwill (1)	954.4	1,966.3
Other intangible assets, net (1)	1,270.8	2,364.1
Other assets (1)	9.4	29.4
Current assets held for sale	$ 3,541.3	$ 6,370.4
Property, plant and equipment, net	$	$ 447.2
Goodwill		1,720.8
Other intangible assets, net		1,672.3
Other assets (1)		1.9
Noncurrent assets held for sale	$	$ 3,842.2
Accounts payable	$ 256.7	$ 534.8
Accrued compensation	57.0	101.6
Other accrued liabilities	152.9	434.0
Deferred income taxes (1)	170.3	526.0
Other liabilities (1)	13.5	64.9
Current liabilities held for sale	$ 650.4	$ 1,661.3
Deferred income taxes (1)	$	$ 228.3
Other liabilities (1)		14.2
Noncurrent liabilities held for sale	$	$ 242.5

(1) Classification as current or long-term based on management s best estimate as to the timing of the disposal of the underlying asset or liability as of the respective dates indicated.

(2) Balance at December 31, 2017, includes a $4.0 million building held for sale that is not included in discontinued operations. This building was sold during 2018.

Divestitures

2018 Activity

On June 29, 2018, the Company sold Rawlings, its Team Sports business, to a fund managed by Seidler Equity Partners with a co-investment of Major League Baseball for approximately $400 million, subject to customary

working capital and transaction adjustments. As a result, during 2018, the Company recorded a pretax loss of $128 million, which is included in the income (loss) from discontinued operations.

On June 29, 2018, the Company sold Waddington to Novolex Holdings LLC for approximately $2.3 billion, subject to customary working capital and transaction adjustments. As a result, during 2018, the Company recorded a pretax gain of $599 million, which is included in the income (loss) from discontinued operations.

On August 31, 2018, the Company sold its Goody business, to a fund managed by ACON Investments, L.L.C. for approximately $109 million, subject to customary working capital and transaction adjustments. As a result, during 2018, the Company recorded a pretax gain of $20.3 million, which is included in the income (loss) from discontinued operations.

On December 21, 2018, the Company sold Jostens to Platinum Equity for approximately $1.3 billion, subject to customary working capital and transaction adjustments. As a result, during 2018, the Company recorded a pretax loss of $32.1 million, which is included in the income (loss) from discontinued operations.

On December 21, 2018, the Company sold Pure Fishing to Sycamore Partners for approximately $1.3 billion, subject to customary working capital and transaction adjustments. As a result, during 2018, the Company recorded a pretax gain of $372 million, which is included in the income (loss) from discontinued operations.

During 2018, the Company recorded an impairment charge primarily related to goodwill and indefinite-lived intangible assets totaling $1.5 billion, respectively, which is included in the income (loss) from discontinued operations, primarily related to the write-down of the carrying value of the net assets of certain held for sale businesses based on their estimated fair value.

2017 Activity

On July 14, 2017, the Company sold its Winter Sports business for a selling price of approximately $240 million, subject to customary working capital and transaction adjustments. For 2017, net sales from the Winter Sports business were not material. During 2017, the Company recorded an impairment charge of $59.1 million related to the write-down of the carrying value of the net assets of the Winter Sports business to their estimated fair market value.

During 2017, the Company sold its Rubbermaid® consumer storage totes business, its stroller business under the Teutonia® brand, its Lehigh business, its Firebuilding business and its triathlon apparel business under the Zoot® and Squadra® brands. The selling prices for these businesses were not significant. During 2017, the Company recorded impairment charges of $15.3 million related to the write down of the carrying value of the net assets of the Frebuilding and Teutonia® stroller businesses to their estimated fair market value.

In March 2017, the Company sold its Tools business, including the Irwin®, Lenox® and Hilmor® brands. The selling price was $1.95 billion, subject to customary working capital and transaction adjustments. As a result, during 2017, the Company recorded a pretax gain of $768 million, which is included in other (income) expense, net. Net sales for the Tools business in 2017 were not material.

2016 Activity

In June 2016, the Company sold its Décor business, including Levolor® and Kirsch® window coverings and drapery hardware, for consideration, net of fees of approximately $224 million, resulting in a pretax gain of $160 million, which is included in other (income) expense, net for 2016.

Subsequent Event

On February 25, 2019, the Company signed a definitive agreement to sell its Rexair business to investment funds affiliated with Rhône Group for $235 million, subject to customary working capital and transaction adjustments. The transaction is expected to close by the end of the second quarter 2019, subject to customary closing conditions, including regulatory approvals.

Footnote 5 Stockholders Equity

The following tables display the components of accumulated other comprehensive income (loss) (AOCI) as of and for the years ended December 31, 2018 and 2017 (in millions):

AOCI

	Cumulative Translation Adjustment	Pension and Postretirement Costs	Derivative Financial Instruments	
Balance at December 31, 2016	$ (607.9)	$ (400.0)	$ (36.9)	$ (1,044.8)
Other comprehensive (loss) income before reclassifications	201.7	6.6	(27.8)	180.5
Amounts reclassified to earnings	87.4	7.9	5.9	101.2
Net current period other comprehensive income (loss)	289.1	14.5	(21.9)	281.7
Balance at December 31, 2017	$ (318.8)	$ (385.5)	$ (58.8)	$ (763.1)
Other comprehensive (loss) income before reclassifications	(203.0)	29.1	14.6	(159.3)
Amounts reclassified to earnings	29.2	12.8	30.2	72.2
Net current period other comprehensive income (loss)	(173.8)	41.9	44.8	(87.1)
Reclassification to retained earnings (1)		(54.5)	(8.1)	(62.6)
Balance at December 31, 2018	$ (492.6)	$ (398.1)	$ (22.1)	$ (912.8)

(1) Reclassification is due to the adoption of ASU 2018-02 (see Footnote 1).

For 2018, 2017 and 2016 reclassifications from AOCI to the results of operations for the Company s pension and postretirement benefit plans were a pre-tax expense of $16.3 million, $14.6 million and $16.5 million, respectively, and primarily represent the amortization of net actuarial losses and plan settlements (see Footnote 14). These costs are recorded in selling, general and administrative expenses and cost of sales. For 2018, 2017 and 2016, reclassifications from AOCI to the results of operations for the Company s derivative financial instruments for effective cash flow hedges were pre-tax loss of $42.7 million, $8.3 million and $12.0 million, respectively (see Footnote 12). The amounts reclassified to earnings from the cumulative translation adjustment are due to divestitures (see Footnote 4).

Table of Contents

The income tax provision (benefit) allocated to the components of OCI for the years ended December 31, are as follows (in millions):

	2018	2017	2016
Foreign currency translation adjustments	$ 3.7	$ 0.5	$
Unrecognized pension and postretirement costs	11.3	12.3	19.6
Derivative hedging (loss) gain	18.6	(8.7)	(20.7)
Income tax provision (benefit) related to OCI	$ 33.6	$ 4.1	$ (1.1)

Footnote 6 Restructuring Costs

Restructuring provisions were determined based on estimates prepared at the time the restructuring actions were approved by management and are periodically updated for changes. Restructuring amounts also include amounts recognized as incurred.

As part of acquisition of Jarden in 2016, the Company initiated a comprehensive strategic assessment of the business and launched a new corporate strategy that focuses the portfolio, prioritizes investment in the categories with the greatest potential for growth, and extends the Company s advantaged capabilities in insights, product design, innovation, and e-commerce to the broadened portfolio.

Accelerated Transformation Plan

The Company began restructuring and other actions in 2016 to integrate the legacy Newell Rubbermaid and Jarden businesses (the Jarden Integration). Initially, integration projects were primarily focused on driving cost synergies in procurement, overhead functions and organizational changes designed to redefine the operating model of the Company from a holding company to an operating company. Subsequently, the Company announced its Accelerated Transformation Plan during the first quarter of 2018 to divest the Company s industrial and commercial product assets and non-core consumer businesses. The Accelerated Transformation Plan continues some of the Jarden Integration projects for the continuing operations and focuses on the realignment of the Company s management structure and overall cost structure as a result of the completed and planned divestitures. Restructuring costs associated with integration projects and the transformation plan include employee-related costs, including severance, retirement and other termination benefits, and contract termination and other costs. In addition, other costs associated with the Jarden Integration include advisory and personnel costs for managing and implementing integration projects.

Project Renewal

The Company s Project Renewal restructuring plan was completed during 2017. Project Renewal was designed, in part, to simplify and align the Company s businesses, streamline and realign the supply chain functions, reduce operational and manufacturing complexity, streamline the distribution and transportation functions, optimize global selling and trade marketing functions and rationalize the Company s real estate portfolio.

Other Restructuring

In addition to Project Renewal and the Jarden Integration the Company has incurred restructuring costs for various other restructuring activities.

Restructuring Costs

Restructuring costs incurred by reportable business segment for all restructuring activities in continuing operations for the years ended December 31, are as follows (in millions):

	2018	2017	2016
Food and Appliances	$ 6.8	$ 8.6	$ 13.7
Home and Outdoor Living	30.5	9.3	5.9
Learning and Development	7.9	10.9	13.9
Other		3.2	7.8
Corporate	35.3	55.6	20.9
	$ 80.5	$ 87.6	$ 62.2

Restructuring costs incurred during 2018 and 2017, are primarily related to the Accelerated Transformation Plan and Jarden Integration. Restructuring costs incurred during 2016 are primarily related to Project Renewal.

Table of Contents

Accrued restructuring costs activity for 2018 and 2017 are as follows (in millions):

	Balance at December 31, 2017	Restructuring Costs, Net	Payments	Foreign Currency and Other (1)	Balance at December 31, 2018
Employee severance, termination benefits and relocation costs	$ 47.2	$ 45.1	$ (47.2)	$ (24.5)	$ 20.6
Exited contractual commitments and other	32.1	35.4	(22.3)	1.4	46.6
	$ 79.3	$ 80.5	$ (69.5)	$ (23.1)	$ 67.2

	Balance at December 31, 2016	Restructuring Costs, Net	Payments	Foreign Currency and Other (1)	Balance at December 31, 2017
Employee severance, termination benefits and relocation costs	$ 46.5	$ 64.9	$ (51.3)	$ (12.9)	$ 47.2
Exited contractual commitments and other	18.1	22.7	(9.7)	1.0	32.1
	$ 64.6	$ 87.6	$ (61.0)	$ (11.9)	$ 79.3

(1) Includes non-cash restructuring charges of $22.2 million and $10.3 million for 2018 and 2017, respectively.

Footnote 7 Inventories, Net

The components of net inventories were as follows as of December 31, (in millions):

	2018	2017
Raw materials and supplies	$ 215.5	$ 208.9
Work-in-process	130.7	147.9
Finished products	1,236.9	1,305.6
	$ 1,583.1	$ 1,662.4

Inventory costs include direct materials, direct labor and manufacturing overhead, or when finished goods are sourced, the cost is the amount paid to the third party. Approximately 18.2% and 20.5% of gross inventory costs at December 31, 2018 and 2017, respectively, were determined by the last-in, first-out (LIFO) method; for the balance, cost was determined using the first-in, first-out (FIFO) method. As of December 31, 2018 and 2017, LIFO reserves were an asset $11.1 million and $4.4 million, respectively. The pretax income (expense) from continuing operations recognized by the Company related to the liquidation of LIFO-based inventories in 2018, 2017 and 2016 was ($0.9)

million, $1.5 million and ($0.2) million, respectively.

Footnote 8 Property, Plant & Equipment, Net

Property, plant and equipment, net, consisted of the following as of December 31, (in millions):

	2018	2017
Land	$ 69.9	$ 72.4
Buildings and improvements	479.1	491.4
Machinery and equipment	1,575.1	1,523.0
	2,124.1	2,086.8
Less: Accumulated depreciation	(1,198.5)	(1,114.4)
	$ 925.6	$ 972.4

Depreciation expense for continuing operations was $169 million, $158 million and $122 million in 2018, 2017 and 2016, respectively. Depreciation expense for discontinued operations was $33.2 million, $126 million and $92.4 million in 2018, 2017 and 2016, respectively, prior to the businesses meeting held for sale criteria.

During 2018, the Company recorded $38.0 million of impairment charges on certain other assets, the majority of which relate to the Home Fragrance business in the Home and Outdoor Living segment.

Table of Contents

Footnote 9 Goodwill and Other Intangible Assets, Net

A summary of changes in the Company s goodwill by reportable business segment is as follows for 2018 and 2017 (in millions):

					December 31, 2018		
Segment	Net Book Value at December 31, 2017	Other Adjustments	Impairment Charges (1)	Foreign Exchange	Gross Carrying Amount	Accumulated Impairment Charges	Net Book Value
Food and Appliances	$ 1,990.0	$	$ (1,766.9)	$ (11.9)	$ 2,097.4	$ (1,886.2)	$ 211.2
Home and Outdoor Living	2,148.0		(1,985.0)	0.8	2,148.8	(1,985.0)	163.8
Learning and Development	2,735.0		(105.3)	(34.5)	3,441.2	(846.0)	2,595.2
	$ 6,873.0	$	$ (3,857.2)	$ (45.6)	$ 7,687.4	$ (4,717.2)	$ 2,970.2

					December 31, 2017		
Segment	Net Book Value at December 31, 2016	Other Adjustments (2)	Impairment Charges	Foreign Exchange	Gross Carrying Amount	Accumulated Impairment Charges	Net Book Value
Food and Appliances	$ 1,791.8	$ 189.1	$	$ 9.1	$ 2,109.3	$ (119.3)	$ 1,990.0
Home and Outdoor Living	2,074.3	62.8		10.9	2,148.0		2,148.0
Learning and Development							