

NEWELL BRANDS INC  
Form 10-K  
March 04, 2019  
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**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  
incorporation or organization)

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

221 River Street

Hoboken, New Jersey  
(Address of principal executive offices)

07030

(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.

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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.

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### **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](http://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®, 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**

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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.

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The Company's three primary operating segments are as follows:

<b>Segment</b>	<b>Key Brands</b>	<b>Description of Primary Products</b>
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®, 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®, 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.



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### *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

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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

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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.

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**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.



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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.

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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.

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**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.

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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



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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

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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.

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**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

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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.



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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.

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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.

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**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:

<b>Calendar Month</b>	<b>Total Number of Shares Purchased (1)</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs Repurchase Program (2)</b>	<b>Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)</b>
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.

<b>As of and for the Years Ended December 31,</b>					
<b>(in millions, except per share data)</b>	<b>2018 (1)</b>	<b>2017 (1)</b>	<b>2016 (1)</b>	<b>2015</b>	<b>2014</b>
<b>STATEMENTS OF OPERATIONS DATA (2) (3)</b>					
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) 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
<b>Earnings (loss) per share:</b>					
<b>Basic:</b>					
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
<b>Diluted:</b>					
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
<b>BALANCE SHEET DATA</b>					
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
<b>2018</b>					
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
<b>2017</b>					
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
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- (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.

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### **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®, 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:

<b>Segment</b>	<b>Key Brands</b>	<b>Description of Primary Products</b>
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®, 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

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### **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.

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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***

(in millions)	Years Ended December 31,			% Change
	2018	2017	Increase (Decrease)	
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):



	<b>Year Ended December 31, 2018</b>	
	<b>Goodwill</b>	<b>Intangibles</b>
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.

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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**

(in millions)	Net Sales				Operating Income (Loss)			
	Years Ended December 31,				Years Ended December 31,			
	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***

(in millions)	Years Ended December 31,			
	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**

(in millions)	Sales Years Ended December 31,				Operating Income Years Ended December 31,			
	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).