

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. 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:

Segment	Key Brands	Description of Primary Products
Food and Appliances	Ball [®] , Calphalon [®] , Crock-Pot [®] , FoodSaver [®] , Mr. Coffee [®] , Oster [®] , Rubbermaid [®] , Sistema [®] and Sunbeam [®]	Household products, including kitchen appliances, gourmet cookware, bakeware and cutlery, food storage and home storage products and fresh preserving products
Home and Outdoor Living	Chesapeake Bay Candle [®] , Coleman [®] , Contigo [®] , ExOfficio [®] , First Alert [®] , Marmot [®] , WoodWick [®] and Yankee Candle [®]	Products for outdoor and outdoor-related activities, home fragrance products and connected home and security
Learning and Development	Aprica [®] , Baby Jogger [®] , Dymo [®] , Elmer [®] , 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