NEWELL RUBBERMAID INC
Form 10-Q
May 11, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
for the Quarterly Period Ended March 31, 2015
Commission File Number 1-9608
NEWELL RUBBERMAID 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.)

Three Glenlake Parkway
Atlanta, Georgia 30328
(Address of principal executive offices)
(Zip Code)
(770) 418-7000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes R No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes R No o

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

Large accelerated filer R	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
	(Do not check if a smaller reporting company)		

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

Number of shares of common stock outstanding (net of treasury shares) as of March 31, 2015: 268.7 million.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NEWELL RUBBERMAID INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(Amounts in millions, except per share data)

	Three Months Ended March 31,	
	2015	2014
Net sales	$1,264.0	$1,214.3
Cost of products sold	776.5	757.3
GROSS MARGIN	487.5	457.0
Selling, general and administrative expenses	362.0	340.3
Restructuring costs	27.3	12.0
OPERATING INCOME	98.2	104.7
Nonoperating expenses:		
Interest expense, net	19.2	14.4
Other expense, net	0.1	40.0
Net nonoperating expenses	19.3	54.4
INCOME BEFORE INCOME TAXES	78.9	50.3
Income tax expense (benefit)	22.0	(1.5)
INCOME FROM CONTINUING OPERATIONS	56.9	51.8
(Loss) income from discontinued operations, net of tax	(2.8)	1.1
NET INCOME	$54.1	$52.9
Weighted average shares outstanding:		
Basic	270.5	280.9
Diluted	272.7	283.8
Earnings per share:		
Basic:		
Income from continuing operations	$0.21	$0.18
(Loss) income from discontinued operations	$(0.01)	$—
Net income	$0.20	$0.19
Diluted:		
Income from continuing operations	$0.21	$0.18
(Loss) income from discontinued operations	$(0.01)	$—
Net income	$0.20	$0.19
Dividends per share	$0.19	$0.15

See Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents

NEWELL RUBBERMAID INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(Amounts in millions)

	Three Months Ended March 31,	
	2015	2014
NET INCOME	$54.1	$52.9
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments	(105.5)	5.9
Change in unrecognized pension and other postretirement costs	11.2	2.8
Derivative hedging gain	1.1	0.8
Total other comprehensive (loss) income, net of tax	(93.2)	9.5
COMPREHENSIVE (LOSS) INCOME [1]	$(39.1)	$62.4

(1) Comprehensive income attributable to noncontrolling interests was not material.

See Notes to Condensed Consolidated Financial Statements (Unaudited).

4

Table of Contents

NEWELL RUBBERMAID INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(Amounts in millions, except par values)

	March 31, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$215.4	$199.4
Accounts receivable, net	1,053.2	1,248.2
Inventories, net	852.3	708.5
Deferred income taxes	122.9	134.4
Prepaid expenses and other	179.2	136.1
TOTAL CURRENT ASSETS	2,423.0	2,426.6
PROPERTY, PLANT AND EQUIPMENT, NET	563.3	559.1
GOODWILL	2,474.6	2,546.0
OTHER INTANGIBLE ASSETS, NET	877.2	887.2
OTHER ASSETS	266.5	262.2
TOTAL ASSETS	$6,604.6	$6,681.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$615.6	$674.1
Accrued compensation	99.8	159.9
Other accrued liabilities	588.4	659.3
Short-term debt	733.9	390.7
Current portion of long-term debt	6.5	6.7
TOTAL CURRENT LIABILITIES	2,044.2	1,890.7
LONG-TERM DEBT	2,094.1	2,084.5
DEFERRED INCOME TAXES	231.1	220.4
OTHER NONCURRENT LIABILITIES	536.2	630.6
STOCKHOLDERS' EQUITY:		
Preferred stock, authorized shares, 10.0 at $1.00 par value	—	—
None issued and outstanding		
Common stock, authorized shares, 800.0 at $1.00 par value	288.9	288.7
Outstanding shares, before treasury:		
2015 – 288.9		
2014 – 288.7		
Treasury stock, at cost:	(519.0)	(493.1)
Shares held:		
2015 – 20.2		
2014 – 19.5		
Additional paid-in capital	766.3	739.0
Retained earnings	2,046.9	2,111.2
Accumulated other comprehensive loss	(887.6)	(794.4)
STOCKHOLDERS' EQUITY ATTRIBUTABLE TO PARENT	1,695.5	1,851.4
STOCKHOLDERS' EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS	3.5	3.5
TOTAL STOCKHOLDERS' EQUITY	1,699.0	1,854.9
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$6,604.6	$6,681.1

See Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents

NEWELL RUBBERMAID INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Amounts in millions)

	Three Months Ended March 31,	
	2015	2014
OPERATING ACTIVITIES:		
Net income	$54.1	$52.9
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	42.2	38.1
Net gain from sale of discontinued operations	—	(2.2)
Deferred income taxes	17.9	14.6
Non-cash restructuring costs	—	1.0
Stock-based compensation expense	6.8	7.0
Other, net	5.5	45.0
Changes in operating assets and liabilities, excluding the effects of acquisitions and divestitures:		
Accounts receivable	170.0	130.5
Inventories	(164.8)	(115.8)
Accounts payable	(38.7)	(16.1)
Accrued liabilities and other	(247.3)	(247.1)
NET CASH USED IN OPERATING ACTIVITIES	(154.3)	(92.1)
INVESTING ACTIVITIES:		
Proceeds from sales of discontinued operations and noncurrent assets	4.0	—
Acquisitions and acquisition-related activity	(2.0)	—
Capital expenditures	(50.9)	(31.9)
Other	(0.2)	(0.3)
NET CASH USED IN INVESTING ACTIVITIES	(49.1)	(32.2)
FINANCING ACTIVITIES:		
Short-term borrowings, net	343.4	144.9
Repurchase and retirement of shares of common stock	(73.6)	(44.4)
Cash dividends	(53.2)	(42.9)
Excess tax benefits related to stock-based compensation	15.2	5.6
Other stock-based compensation activity, net	(13.6)	10.7
NET CASH PROVIDED BY FINANCING ACTIVITIES	218.2	73.9
Currency rate effect on cash and cash equivalents	1.2	(39.1)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16.0	(89.5)
Cash and cash equivalents at beginning of period	199.4	226.3
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$215.4	$136.8

See Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents

NEWELL RUBBERMAID INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Footnote 1 — Basis of Presentation and Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements of Newell Rubbermaid Inc. (collectively with its subsidiaries, the "Company") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("U.S. GAAP") for complete financial statements. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments (including normal recurring accruals) considered necessary for a fair presentation of the financial position and the results of operations of the Company. It is recommended that these unaudited condensed consolidated financial statements be read in conjunction with the financial statements, and the footnotes thereto, included in the Company's most recent Annual Report on Form 10-K.

Seasonal Variations

Sales of the Company's products tend to be seasonal, with sales and operating income 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. Historically, the Company has earned approximately 60% of its annual operating income during the second and third quarters of the year. 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 has historically generated more than 90% of its operating cash flow in the second half 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. Accordingly, the Company's results for the three months ended March 31, 2015 may not necessarily be indicative of the results that may be expected for the full year ending December 31, 2015.

Recent Accounting Pronouncements

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

In April 2014, the FASB issued ASU No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." Under ASU 2014-08, only disposals representing a strategic shift in operations that have a major effect on the Company's operations and financial results are presented as discontinued operations. This guidance requires expanded disclosure that provides information about the assets, liabilities, income and expenses of discontinued operations. Additionally, the guidance requires additional disclosure for a disposal of a significant part of an entity that does not qualify for discontinued operations reporting. The Company adopted ASU 2014-08 on January 1, 2015, and the adoption did not impact the Company's financial statements and disclosures. As required by ASU 2014-08, the businesses classified as discontinued operations as of December 31, 2014 continued to be classified as such after January 1, 2015.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers. Accounting Standard Codification 605 — Revenue Recognition." ASU 2014-09 supersedes the revenue recognition requirements in "Accounting Standard Codification 605 — Revenue Recognition" and most industry-specific guidance. ASU 2014-09 requires that entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for fiscal years beginning after December 15, 2016. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. The Company is currently assessing the impact ASU 2014-09 will have on its financial position and results of operations.

In January 2015, the FASB issued ASU No. 2015-01, "Income Statement—Extraordinary and Unusual Items (Subtopic 225-20), Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items," which simplifies income statement presentation by eliminating the concept of extraordinary items. Previously, events or transactions that were both unusual in nature and infrequent in occurrence for a business entity were considered to be extraordinary items and required separate presentation, net of tax, after income from continuing operations. The presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained and will be expanded to include items that are both unusual and infrequently occurring. The guidance is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The Company has not adopted ASU 2015-01, but the adoption of ASU 2015-01 is not expected to have a material impact on the Company’s results of operations, cash flows or financial position.

In April 2015, the FASB issued ASU No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs,” which changes the presentation of debt issuance costs in financial statements. ASU 2015-03 requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be

reported as interest expense. The guidance is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The Company has not adopted ASU 2015-03, but the adoption of ASU 2015-03 is expected to reduce the Company’s long-term assets and long-term debt by approximately $18.0 million upon adoption.
Other recently issued ASUs were assessed and determined to be either not applicable or are expected to have a minimal impact on the Company’s consolidated financial position and results of operations.
Venezuelan Operations
The Company accounts for its Venezuelan operations using highly inflationary accounting, and therefore, the Company remeasures assets, liabilities, sales and expenses denominated in Bolivar Fuertes (“Bolivars”) into U.S. Dollars using the applicable exchange rate, and the resulting translation adjustments are included in earnings. Beginning in July 2013, the Venezuelan government authorized certain companies that operate in designated industry sectors to exchange a limited volume of Bolivars for U.S. Dollars at a bid rate established via weekly auctions under a system referred to as “SICAD I.” During the first quarter of 2014, the government expanded the types of transactions that may be subject to the weekly SICAD I auction process while retaining the official rate of 6.3 Bolivars per U.S. Dollar and introduced another currency exchange mechanism (“SICAD II”). The SICAD II rate was intended to more closely resemble a market-driven exchange rate than the official rate and SICAD I. The SICAD I and SICAD II rates were in addition to the official rate of 6.3 Bolivars to U.S. Dollar used to settle certain transactions, including the import of essential goods, through the National Center of Foreign Trade (“CENCOEX”). As a result of these changes, an entity could have converted Bolivars to U.S. Dollars at one or more of three legal exchange rates, which as of March 31, 2014, were 6.3 (official rate), 10.7 (SICAD I) and 49.8 (SICAD II). The Company analyzed the multiple rates available and the Company's estimates of the applicable rate at which future transactions could be settled and dividends could be paid. Based on this analysis, as of March 31, 2014, the Company determined that the SICAD I rate was the most appropriate rate to use for remeasurement. Therefore, as of March 31, 2014, the Company remeasured the net monetary assets of its Venezuelan operations using an exchange rate of 10.7 Bolivars per U.S. Dollar and recorded a foreign exchange loss of $38.7 million during the three months ended March 31, 2014 associated with remeasuring the Venezuelan operation’s net monetary assets denominated in Bolivars.
In February 2015, the Venezuelan government announced changes in its foreign currency exchange system. The official rate of 6.3 Bolivars per U.S. Dollar is expected to continue to be made available for purchases of essential goods. The SICAD I exchange mechanism became known as SICAD. There were no known SICAD auctions conducted during the three months ended March 31, 2015, and the Company last participated in a SICAD auction in the fourth quarter of 2014. The SICAD II market has been eliminated, and a new alternative currency market, the Foreign Exchange Marginal System (“SIMADI”) has been created. The SIMADI market is intended to have a floating exchange rate determined by market participants, and as of March 31, 2015, the SIMADI exchange rate was 193 Bolivars per U.S. Dollar. The Company remeasures its Venezuelan operation’s financial results at the rate at which it expects to settle future transactions and remit future dividends which, based on the advice of legal counsel, is currently the SICAD rate. As a result, the Company continued to use the exchange rate applicable in the last SICAD auction of 12.0 Bolivars per U.S. Dollar to remeasure the results of its Venezuelan operations for the three months ended March 31, 2015.

The results of the Company’s Venezuelan operations have been included in the Company’s consolidated financial statements for all periods presented, as the Company has been able to exchange Bolivars for a sufficient amount of U.S. Dollars in the SICAD auctions to fund its Venezuelan operations. While the Company will continue to assess the impact, if any, of the changes to the Venezuela foreign currency exchange system, if the Company is unable to obtain sufficient U.S. Dollars from CENCOEX or the SICAD market to fund its requirements for imported goods and instead needs to access the SIMADI market, it would significantly impact the Company’s Venezuelan operations which would adversely impact the Company’s results of operations.
As of March 31, 2015, the Company’s Venezuelan operations had approximately $57.8 million in Bolivar-denominated net monetary assets, including $52.9 million of cash and cash equivalents. In future periods, foreign exchange gains (losses) arising due to the appreciation (depreciation) of the Bolivar versus the U.S. Dollar will result in benefits (charges) based on the change in value of the Bolivar-denominated net monetary assets. During the

three months ended March 31, 2015 and 2014, the Company’s Venezuelan operations generated less than 2% of consolidated net sales using the applicable exchange rate for each period (CENCOEX for the three months ended March 31, 2014 and SICAD for the three months ended March 31, 2015).

The Company is unable to predict with certainty whether future devaluations will occur because of economic and political uncertainty in Venezuela. If the Bolivar devalues further or if the Company is able to access currency at different rates that are reasonable to the Company, it could result in additional foreign currency exchange losses, and such devaluations could adversely affect the Company’s future financial results. Despite the additional currency conversion mechanisms, the Company’s ability to pay dividends from Venezuela is still restricted due to the low volume of U.S. Dollars available for conversion.

Table of Contents

Income Taxes

At the end of each interim period, the Company makes its best estimate of the effective tax rate expected to be applicable for the full fiscal year. This estimate reflects, among other items, the Company’s best estimate of operating results and foreign currency exchange rates. The Company’s quarterly income tax rate may differ from its estimated annual effective tax rate because accounting standards require the Company to exclude the actual results of certain entities expected to generate a pretax loss when applying the estimated annual effective tax rate to the Company’s consolidated pretax results in interim periods. In estimating the annual effective tax rate, the Company does not include the estimated impact of unusual and/or infrequent items, including the reversal of valuation allowances, which may cause significant variations in the customary relationship between income tax expense (benefit) and pretax income (loss) in quarterly periods. The income tax expense (benefit) for such unusual and/or infrequent items is recorded in the quarterly period such items are incurred.

The Company routinely reviews valuation allowances recorded against deferred tax assets on a more likely than not basis in evaluating whether the Company has the ability to realize the deferred tax assets. In making such a determination, the Company takes into consideration all available and appropriate positive and negative evidence, including projected future taxable income, future reversals of existing taxable temporary differences, available tax planning strategies and taxable income in prior carryback years, if available. Considering these factors, a possibility exists that the Company may record or release a portion of a valuation allowance against some deferred tax assets each quarterly period, which could create volatility in the Company’s future effective tax rate.

Reclassifications

Certain 2014 amounts have been reclassified to conform to the 2015 presentation.

Footnote 2 — Acquisitions

Ignite

On September 4, 2014, the Company acquired 100% of Ignite Holdings, LLC (“Ignite”) for $312.9 million, which is net of $7.2 million of cash acquired. The Ignite acquisition was accounted for using the purchase method of accounting. The Company has allocated $16.7 million of the purchase price to identified tangible and monetary net assets and $151.6 million to identified intangible assets. The Company has recorded the excess of the purchase price over the aggregate fair values of identifiable assets of $144.6 million as goodwill. Approximately $105.5 million of the goodwill is expected to be tax deductible. The final purchase price is subject to post-closing adjustments for certain contractual obligations and other matters. Ignite’s results of operations are included in the Company’s Condensed Consolidated Statements of Operations since the acquisition date, including net sales of $33.0 million for the three months ended March, 31, 2015. Pro forma results of operations of the Company would not be materially different as a result of the acquisition and therefore are not presented.

bubba

On October 22, 2014, the Company acquired substantially all of the assets of bubba brands, inc. (“bubba”) for $82.9 million. The bubba acquisition was accounted for using the purchase method of accounting. The Company has allocated $10.6 million of the purchase price to identified tangible and monetary net assets and $41.0 million to identified intangible assets. The Company has recorded the excess of the purchase price over the aggregate fair values of identifiable assets of $31.3 million as goodwill. All of the goodwill is expected to be tax deductible. The final purchase price is subject to post-closing adjustments for certain contractual obligations and other matters. bubba’s results of operations are included in the Company’s Condensed Consolidated Statements of Operations since the acquisition date, including net sales of $15.4 million for the three months ended March 31, 2015. Pro forma results of operations of the Company would not be materially different as a result of the acquisition and therefore are not presented.

Baby Jogger

On December 15, 2014, the Company acquired 100% of Baby Jogger Holdings, Inc. (“Baby Jogger”) for net cash consideration of $208.5 million, which includes $2.0 million of net cash consideration paid during the three months ended March 31, 2015 pursuant to the purchase agreement and in consideration of working capital adjustments and other matters. The Baby Jogger acquisition was accounted for using the purchase method of accounting. Based on the preliminary purchase price allocation, which is subject to change while the Company obtains a final third-party valuation, the Company allocated $13.9 million of the purchase price to identified tangible and monetary net assets, $22.1 million to deferred tax liabilities and $136.0 million to identified intangible assets. Approximately $112.0 million was allocated to an indefinite-lived intangible asset, and approximately $24.0 million was allocated to definite-lived intangible assets with a weighted-average life of 5 years. The indefinite-lived intangible asset represents the acquired Baby Jogger trade name and the acquired City Mini® and City Select® sub-brands. The Company recorded the excess of the purchase price over the aggregate fair values of identifiable assets of $80.7 million as goodwill.

Table of Contents

Approximately $27.9 million of the goodwill is expected to be tax deductible. The final purchase price is subject to post-closing adjustments for certain contractual obligations and other matters. Baby Jogger's results of operations are included in the Company's Condensed Consolidated Statements of Operations since the acquisition date, including net sales of $18.2 million for the three months ended March 31, 2015. Pro forma results of operations of the Company would not be materially different as a result of the acquisition and therefore are not presented.

The Company incurred $1.7 million of acquisition and integration costs associated with the Ignite, bubba and Baby Jogger acquisitions during the three months ended March 31, 2015, of which $1.5 million is included in cost of products sold and $0.2 million is included in selling, general and administrative expenses in the Company's Condensed Consolidated Statement of Operations for the three months ended March 31, 2015.

The pro forma net sales for the three months ended March 31, 2014 as if the Ignite, bubba and Baby Jogger acquisitions occurred on January 1, 2014 are $1.27 billion. The pro forma net income and earnings per share for the three months ended March 31, 2014 reflecting the inclusion of the acquisitions, individually and in the aggregate, as if such acquisitions occurred on January 1, 2014 would not be materially different than reported results for the three months ended March 31, 2014 and therefore are not presented.

Footnote 3 — Discontinued Operations

During 2014, the Company's Endicia® and Culinary electrics and retail businesses were classified as discontinued operations based on the Company's commitment to sell the businesses. The Endicia business was included in the Writing segment, and the Culinary electrics and retail businesses were included in the Home Solutions segment. During the three months ended March 31, 2015, the Company announced it entered into an agreement to sell Endicia for an estimated purchase price of $215.0 million, subject to customary working capital adjustments. The transaction is expected to close by the end of 2015, subject to customary conditions, including regulatory approvals. During the three months ended March 31, 2015, the Company ceased operations in its Culinary electrics and retail businesses. The net assets of the Endicia and Culinary electrics and retail businesses at March 31, 2015 were $43.8 million, primarily representing goodwill of Endicia.

The following table provides a summary of amounts included in discontinued operations (in millions):

	Three Months Ended March 31,	
	2015	2014
Net sales	$17.3	$20.0
Loss from discontinued operations before income taxes	$(4.4)	$(0.6)
Income tax benefit	(1.6)	(0.2)
Loss from discontinued operations	(2.8)	(0.4)
Net gain from sales of discontinued operations, net of tax (1)	—	1.5
(Loss) income from discontinued operations, net of tax	$(2.8)	$1.1

(1) Includes pretax gains of $2.2 million (related tax expense of $0.7 million) for the three months ended March 31, 2014.

In May 2015, the Company announced its intention to divest the Rubbermaid medical cart business, which is focused on optimizing nurse work flow and medical records processing in hospitals. The Rubbermaid medical cart business does not qualify as discontinued operations pursuant to the guidance in ASU 2014-08, so the Company has and will continue to include the Rubbermaid medical cart business in continuing operations until the business is sold. The Rubbermaid medical cart business generated approximately 1% of the Company's consolidated net sales for the year ended December 31, 2014.

Footnote 4 — Stockholders' Equity and Accumulated Other Comprehensive Loss

In August 2011, the Company announced a three-year share repurchase program (the "SRP"). Under the SRP, the Company may repurchase its own shares of common stock through a combination of a 10b5-1 automatic trading plan, discretionary market purchases or in privately negotiated transactions. As expanded and extended in November 2014, the Company may repurchase a total of up to $1.1 billion of its own stock through the end of 2017 pursuant to the

SRP. During the three months ended March 31, 2015, the Company repurchased 1.9 million shares pursuant to the SRP for $73.6 million, and such shares were immediately retired. Since the commencement of the SRP through March 31, 2015, the Company has repurchased and retired 26.3 million shares at an aggregate cost of $693.9 million. As of March 31, 2015, the Company had $362.8 million available under the SRP for future repurchases.

Table of Contents

The following table displays the changes in accumulated other comprehensive loss by component for the three months ended March 31, 2015 and 2014 (in millions):

	Foreign Currency Translation Loss (1)	Unrecognized Pension & Other Postretirement Costs, Net of Tax	Derivative Hedging Gain (Loss), Net of Tax	Accumulated Other Comprehensive Loss
Balance at December 31, 2014	$(287.8)	$(511.7)	$5.1	$(794.4)
Other comprehensive (loss) income before reclassifications	(105.5)	7.2	4.2	(94.1)
Amounts reclassified to earnings	—	4.0	(3.1)	0.9
Net current period other comprehensive (loss) income	(105.5)	11.2	1.1	(93.2)
Balance at March 31, 2015	$(393.3)	$(500.5)	$6.2	$(887.6)

(1) Includes foreign exchange losses of $24.2 million arising during the three months ended March 31, 2015 associated with intercompany loans designated as long-term.

	Foreign Currency Translation Loss (2)	Unrecognized Pension & Other Postretirement Costs, Net of Tax	Derivative Hedging (Loss) Gain, Net of Tax	Accumulated Other Comprehensive Loss
Balance at December 31, 2013	$(161.5)	$(483.3)	$(0.4)	$(645.2)
Other comprehensive income (loss) before reclassifications	5.9	(1.0)	1.8	6.7
Amounts reclassified to earnings	—	3.8	(1.0)	2.8
Net current period other comprehensive income	5.9	2.8	0.8	9.5
Balance at March 31, 2014	$(155.6)	$(480.5)	$0.4	$(635.7)

(2) Includes foreign exchange gains of $0.8 million arising during the three months ended March 31, 2014 associated with intercompany loans designated as long-term.

The following table depicts reclassifications out of accumulated other comprehensive loss to earnings for the three months ended March 31, 2015 and 2014 (in millions):

	Amount Reclassified to Earnings as Expense (Benefit) in the Statements of Operations Three Months Ended March 31, 2015	2014	Affected Line Item in the Condensed Consolidated Statements of Operations
Unrecognized pension and other postretirement costs:			
Prior service benefit	$(1.7)	$(1.6)	(1)
Actuarial loss	7.4	7.0	(1)
Total before tax	5.7	5.4	
Tax effect	(1.7)	(1.6)	
Net of tax	$4.0	$3.8	
Derivatives:			
Foreign exchange contracts on inventory-related purchases	$(4.3)	$(1.9)	Cost of products sold
Forward interest rate swaps	0.2	0.2	Interest expense, net
Total before tax	(4.1)	(1.7)	

Tax effect	1.0	0.7
Net of tax	$(3.1)	$(1.0)

(1) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension and other postretirement benefit costs, which are recorded in the cost of products sold and selling, general and administrative expenses line-items in the Condensed Consolidated Statements of Operations for the three months ended March 31, 2015 and 2014. See Footnote 9 for further details.

Table of Contents

Footnote 5 — Restructuring Costs

Project Renewal

On April 29, 2015, the Company committed to a further expansion of Project Renewal (the “April 2015 Expansion”), a program initially launched in October 2011 to reduce the complexity of the organization and increase investment in growth platforms within the business. Under Project Renewal, the Company is simplifying and aligning its businesses around two key activities - Brand & Category Development and Market Execution & Delivery. Pursuant to the program, the Company eliminated its operating groups and consolidated 13 global business units into five business segments. Pursuant to an expansion of Project Renewal in October 2014, the Company is: (i) further streamlining its supply chain function, including reducing overhead and realigning the supply chain management structure; (ii) investing in value analysis and value engineering efforts to reduce product and packaging costs; (iii) reducing operational and manufacturing complexity in its Writing segment; and (iv) further streamlining its distribution and transportation functions. Under the April 2015 Expansion, the Company plans to implement additional activities designed to further streamline business partnering functions (e.g., Finance/IT, Legal and Human Resources), optimize global selling and trade marketing functions, and rationalize the Company’s real estate portfolio.

In connection with the April 2015 Expansion, the Company expects to incur $150.0 million of additional costs, including cash costs of $135.0 million. The additional costs include pretax restructuring charges in the range of $125.0 million to $135.0 million, a majority of which are expected to be facility exit costs and employee-related cash costs, including severance, retirement and other termination benefits.

Cumulative costs of the expanded Project Renewal are now expected to be $690.0 million to $725.0 million pretax, with cash costs of $645.0 million to $675.0 million. Approximately 65% to 75% of the total costs are expected to be restructuring costs, a majority of which are expected to be employee-related cash costs, including severance, retirement and other termination benefits and costs. Project Renewal is expected to be complete by the end of 2017.

The following table depicts the restructuring charges incurred in connection with Project Renewal (in millions):

	Three Months Ended March 31,		Since Inception Through March 31, 2015
	2015	2014	
Facility and other exit costs, including impairments	$0.3	$1.2	$21.2
Employee severance, termination benefits and relocation costs	18.9	10.9	185.0
Exited contractual commitments and other	8.1	1.4	57.1
	$27.3	$13.5	$263.3

Restructuring provisions were determined based on estimates prepared at the time the restructuring actions were approved by management and are periodically updated for changes. Restructuring amounts also include amounts recognized as incurred. The following table depicts the activity in accrued restructuring reserves for Project Renewal for the three months ended March 31, 2015 (in millions):

	December 31, 2014 Balance	Provision	Costs Incurred	March 31, 2015 Balance
Facility and other exit costs, including impairments	$—	$0.3	$(0.3)	$—
Employee severance, termination benefits and relocation costs	22.8	18.9	(5.5)	36.2
Exited contractual commitments and other	17.5	8.1	(10.6)	15.0
	$40.3	$27.3	$(16.4)	$51.2

Table of Contents

The following table depicts the activity in accrued restructuring reserves for Project Renewal for the three months ended March 31, 2015 aggregated by reportable business segment (in millions):

Segment	December 31, 2014 Balance	Provision	Costs Incurred	March 31, 2015 Balance
Writing	$9.7	$2.8	$(0.7)	$11.8
Home Solutions	1.0	4.8	(0.8)	5.0
Tools	0.5	—	—	0.5
Commercial Products	5.1	0.5	(0.2)	5.4
Baby & Parenting	2.2	—	—	2.2
Corporate	21.8	19.2	(14.7)	26.3
	$40.3	$27.3	$(16.4)	$51.2

The table below shows restructuring costs recognized for all restructuring activities in continuing operations for the periods indicated, aggregated by reportable business segment (in millions):

	Three Months Ended March 31,	
Segment	2015	2014
Writing	$2.8	$0.9
Home Solutions	4.8	0.4
Tools	—	0.9
Commercial Products	0.5	3.1
Baby & Parenting	—	0.3
Corporate(1)	19.2	6.4
	$27.3	$12.0

(1) Includes adjustments of $1.5 million for the three months ended March 31, 2014, relating to previous restructuring projects that had the impact of decreasing restructuring costs.

Cash paid for all restructuring activities was $14.7 million and $30.8 million for the three months ended March 31, 2015 and 2014, respectively.

Footnote 6 — Inventories, Net

Inventories are stated at the lower of cost or market value. The components of net inventories were as follows (in millions):

	March 31, 2015	December 31, 2014
Materials and supplies	$143.4	$117.9
Work in process	124.7	104.5
Finished products	584.2	486.1
	$852.3	$708.5

Footnote 7 — Debt

The following is a summary of outstanding debt (in millions):

	March 31, 2015	December 31, 2014
Medium-term notes	$2,099.3	$2,089.5
Commercial paper	477.1	28.0
Receivables facility	250.0	350.0
Other debt	8.1	14.4
Total debt	2,834.5	2,481.9

Short-term debt	(733.9)	(390.7)
Current portion of long-term debt	(6.5)	(6.7)
Long-term debt	$2,094.1	$2,084.5

Table of Contents

Interest Rate Swaps

As of March 31, 2015, the Company was party to fixed-for-floating interest rate swaps designated as fair value hedges. The interest rate swaps relate to an aggregate $596.0 million principal amount of the medium-term notes and result in the Company effectively paying a floating rate of interest on the medium-term notes hedged by the interest rate swaps.

The medium-term note balances at March 31, 2015 and December 31, 2014 include mark-to-market adjustments of $0.6 million and $11.8 million, respectively, to record the fair value of the hedges of the fixed-rate debt, and the mark-to-market adjustments had the effect of decreasing the reported values of the medium-term notes. Compared to the stated rates of the underlying medium-term notes, interest rate swaps, including amortization of settled interest rate swaps, had the effect of reducing interest expense by $3.4 million and $3.6 million during the three months ended March 31, 2015 and 2014, respectively.

Receivables-Related Borrowings

In September 2013, the Company amended its receivables facility to increase available borrowings to up to $350.0 million and extend the expiration date to September 2015 (the “Receivables Facility”). Under the Receivables Facility, the Company and certain operating subsidiaries (collectively, “the Originators”) sell their receivables to a financing subsidiary as the receivables are originated. The financing subsidiary is wholly owned by the Company and is the owner of the purchased receivables and the borrower under the Receivables Facility. The assets of the financing subsidiary are restricted as collateral for the payment of debt or other obligations arising under the Receivables Facility, and the financing subsidiary’s assets and credit are not available to satisfy the debts and obligations owed to the Company’s or any other Originator’s creditors. The Company includes the financing subsidiary’s assets, liabilities and results of operations in its consolidated financial statements. The Receivables Facility requires, among other things, that the Company maintain a certain interest coverage ratio, and the Company was in compliance with such requirements under the Receivables Facility as of March 31, 2015. The financing subsidiary owned $685.6 million of outstanding accounts receivable as of March 31, 2015, and these amounts are included in accounts receivable, net in the Company’s Condensed Consolidated Balance Sheet at March 31, 2015. The Company had $250.0 million of outstanding borrowings under the Receivables Facility as of March 31, 2015.

Revolving Credit Facility and Commercial Paper

On December 2, 2011, the Company entered into a credit agreement (the “Credit Agreement”) with a syndicate of banks. As extended, the Credit Agreement provides for an unsecured syndicated revolving credit facility with a maturity date of December 2019, and an aggregate commitment at any time outstanding of up to $800.0 million (the “Facility”). The Facility also provides for the issuance of up to $100.0 million of letters of credit, so long as there is a sufficient amount available for borrowing under the Facility. The Credit Agreement contains customary representations and warranties, covenants and events of default. As of March 31, 2015, there were no borrowings outstanding or standby letters of credit issued under the Facility, and the Company was in compliance with the covenants under the Credit Agreement.

In addition to the committed portion of the Facility, the Credit Agreement provides for extensions of competitive bid loans from one or more lenders (at the lenders’ discretion) of up to $500.0 million, which are not a utilization of the amount available for borrowing under the Facility.

In lieu of borrowings under the Facility, the Company may issue up to $800.0 million of commercial paper. The Facility provides the committed backup liquidity required to issue commercial paper. Accordingly, commercial paper may be issued only up to the amount available for borrowing under the Facility. As of March 31, 2015 and December 31, 2014, the Company had outstanding commercial paper obligations of $477.1 million and $28.0 million, respectively.

Footnote 8 — Derivatives

The use of financial instruments, including derivatives, exposes the Company to market risk related to changes in interest rates, foreign currency exchange rates and commodity prices. The Company primarily uses derivatives to manage its interest rate exposure, to achieve a desired proportion of variable and fixed-rate debt, to manage the risk associated with the volatility of future cash flows denominated in foreign currencies and to manage changes in fair value resulting from changes in foreign currency exchange rates.

The Company enters into interest rate swaps related to existing debt obligations with initial maturities ranging from five to ten years. The Company uses interest rate swap agreements to manage its interest rate exposure and to achieve a desired proportion of variable and fixed-rate debt. These derivatives are designated as fair value hedges based on the nature of the risk being hedged. The Company also uses derivatives to hedge interest rates on anticipated issuances of debt securities occurring within one year or less of the inception date of the derivative, and the Company uses these instruments to reduce the volatility in future interest payments that would be made pursuant to the anticipated debt issuances. These derivatives are designated as cash flow hedges.

Table of Contents

The Company’s foreign exchange risk management policy generally emphasizes hedging transaction exposures of one-year duration or less and hedging foreign currency intercompany financing activities with derivatives with maturity dates of three years or less. The Company uses derivative instruments to hedge various foreign exchange exposures, including the following: (i) variability in foreign currency-denominated cash flows, such as the hedges of inventory purchases for products produced in one currency and sold in another currency and (ii) currency risk associated with foreign currency-denominated assets and liabilities, such as forward contracts and other instruments that hedge cash flows associated with intercompany financing activities. Hedging instruments are not available for certain currencies in countries in which the Company has operations. In these cases, the Company uses alternative means in an effort to achieve an economic offset to the local currency exposure such as invoicing and/or paying intercompany and third party transactions in U.S. Dollars.

The Company reports its derivative positions in the Condensed Consolidated Balance Sheets on a gross basis and does not net asset and liability derivative positions with the same counterparty. The Company monitors its positions with, and the credit quality of, the financial institutions that are parties to its financial transactions. Gains and losses from changes in fair values of derivatives that are not designated as hedges for accounting purposes are recognized currently in earnings, and such amounts were not material for the three months ended March 31, 2015 and 2014.

The following table summarizes the Company’s outstanding derivative instruments and their effects on the Condensed Consolidated Balance Sheets as of March 31, 2015 and December 31, 2014 (in millions):

Derivatives designated as hedging instruments	Balance Sheet Location	Assets March 31, 2015	December 31, 2014	Balance Sheet Location	Liabilities March 31, 2015	December 31, 2014
Interest rate swaps	Other assets	$4.6	$—	Other noncurrent liabilities	$5.2	$11.8
Foreign exchange contracts on inventory-related purchases	Prepaid expenses and other and other assets	11.6	7.7	Other accrued liabilities	2.8	0.4
Foreign exchange contracts on intercompany borrowings	Prepaid expenses and other	0.6	—	Other accrued liabilities	—	—
Total assets		$16.8	$7.7	Total liabilities	$8.0	$12.2

The fair values of outstanding derivatives that are not designated as hedges for accounting purposes were not material as of March 31, 2015 and December 31, 2014.

The Company is not a party to any derivatives that require collateral to be posted prior to settlement.

Fair Value Hedges

The following table presents the pretax effects of derivative instruments designated as fair value hedges on the Company’s Condensed Consolidated Statements of Operations (in millions):

Derivatives in fair value hedging relationships	Location of gain (loss) recognized in income	Amount of gain (loss) recognized in income Three Months Ended March 31, 2015	2014
Interest rate swaps	Interest expense, net	$ 11.2	$ 5.3
Fixed-rate debt	Interest expense, net	$ (11.2)	$ (5.3)

The Company did not realize any ineffectiveness related to fair value hedges during the three months ended March 31, 2015 and 2014.

15

Table of Contents

Cash Flow Hedges

The following table presents the pretax effects of derivative instruments designated as cash flow hedges on the Company's Condensed Consolidated Statements of Operations and accumulated other comprehensive income (loss) ("AOCI") (in millions):

Derivatives in cash flow hedging relationships	Location of gain (loss) recognized in income	Amount of gain (loss) reclassified from AOCI into income Three Months Ended March 31,	
		2015	2014
Foreign exchange contracts on inventory-related purchases	Cost of products sold	$ 4.3	$ 1.9
Forward interest rate swaps	Interest expense, net	(0.2)	(0.2)
		$ 4.1	$ 1.7

Derivatives in cash flow hedging relationships	Amount of gain (loss) recognized in AOCI Three Months Ended March 31,	
	2015	2014
Foreign exchange contracts on inventory-related purchases	$ 5.8	$ 2.7
Foreign exchange contracts on intercompany borrowings	2.6	—
	$ 8.4	$ 2.7

The Company did not realize any ineffectiveness related to cash flow hedges during the three months ended March 31, 2015 and 2014. As of March 31, 2015, the Company expects to reclassify net pretax gains of $8.1 million from AOCI into earnings during the next 12 months.

Footnote 9 — Employee Benefit and Retirement Plans

The following table presents the components of the Company's pension cost, including supplemental retirement plans, for the three months ended March 31, (in millions):

	U.S.		International	
	2015	2014	2015	2014
Service cost-benefits earned during the period	$0.8	$1.0	$1.5	$1.5
Interest cost on projected benefit obligation	10.3	11.3	5.0	6.4
Expected return on plan assets	(14.4)	(14.4)	(5.7)	(6.7)
Amortization of prior service cost, actuarial loss and other	6.8	6.1	0.9	0.8
Net periodic pension cost	$3.5	$4.0	$1.7	$2.0

The following table presents the components of the Company's other postretirement benefit costs for the three months ended March 31, (in millions):

	Three Months Ended March 31,	
	2015	2014
Service cost-benefits earned during the period	$0.1	$0.3
Interest cost on projected benefit obligation	0.8	1.2
Amortization of prior service benefit and actuarial gains	(1.9)	