Spectrum Brands Holdings, Inc.
Form 10-Q
February 08, 2018
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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 December 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

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Commission File No.	Name of Registrant, State of Incorporation, Address of Principal Offices, and Telephone No.	IRS Employer Identification No.
001-34757	Spectrum Brands Holdings, Inc. (a Delaware corporation) 3001 Deming Way Middleton, WI 53562 (608) 275-3340	27-2166630

www.spectrumbrands.com

333-192634-03	SB/RH Holdings, LLC	27-2812840
	(a Delaware limited liability company)	
	3001 Deming Way	
	Middleton, WI 53562	
	(608) 275-3340	

Indicate by check mark whether the registrants (1) have 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.

Spectrum Brands Holdings, Inc.	Yes	No
SB/RH Holdings, LLC	Yes	No

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Spectrum Brands Holdings, Inc.	Yes	No
SB/RH Holdings, LLC	Yes	No

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

Registrant	Large Accelerated Filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
Spectrum Brands Holdings, Inc.	X			
SB/RH Holdings, LLC			X	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Spectrum Brands Holdings, Inc.	Yes	No
SB/RH Holdings, LLC	Yes	No

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1993 (§232.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter

Spectrum Brands Holdings, Inc.	Yes	No
SB/RH Holdings, LLC	Yes	No

If an emerging growth company, indicate by checkmark 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.

Spectrum Brands Holdings, Inc.
SB/RH Holdings, LLC

As of February 6, 2018, there were outstanding 57,880,340 shares of Spectrum Brands Holdings, Inc.'s common stock, par value $0.01 per share.

SB/RH Holdings, LLC meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this report with a reduced disclosure format as permitted by general instruction H(2).

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Forward-Looking Statements

We have made or implied certain forward-looking statements in this report. All statements, other than statements of historical facts included in this report, including the statements under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding our business strategy, future operations, financial condition, estimated revenues, projected costs, projected synergies, prospects, plans and objectives of management, as well as information concerning expected actions of third parties, are forward-looking statements. When used in this report, the words anticipate, intend, plan, estimate, believe, expect, project, could, will, should, may and similar expressions are also intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Since these forward-looking statements are based upon our current expectations of future events and projections and are subject to a number of risks and uncertainties, many of which are beyond our control and some of which may change rapidly, actual results or outcomes may differ materially from those expressed or implied herein, and you should not place undue reliance on these statements. Important factors that could cause our actual results to differ materially from those expressed or implied herein include, without limitation:

- the impact of our indebtedness on our business, financial condition and results of operations;
- the impact of restrictions in our debt instruments on our ability to operate our business, finance our capital needs or pursue or expand business strategies;
- any failure to comply with financial covenants and other provisions and restrictions of our debt instruments;
- the impact of actions taken by significant stockholders;
- the impact of fluctuations in commodity prices, costs or availability of raw materials or terms and conditions available from suppliers, including suppliers’ willingness to advance credit;
- interest rate and exchange rate fluctuations;
- the loss of, significant reduction in, or dependence upon, sales to any significant retail customer(s);
- competitive promotional activity or spending by competitors, or price reductions by competitors;
- the introduction of new product features or technological developments by competitors and/or the development of new competitors or competitive brands;
- the effects of general economic conditions, including inflation, recession or fears of a recession, depression or fears of a depression, labor costs and stock market volatility or changes in trade, monetary or fiscal policies in the countries where we do business;
- changes in consumer spending preferences and demand for our products;
- our ability to develop and successfully introduce new products, protect our intellectual property and avoid infringing the intellectual property of third parties;
- our ability to successfully implement, achieve and sustain manufacturing and distribution cost efficiencies and improvements, and fully realize anticipated cost savings;
- the seasonal nature of sales of certain of our products;
- the effects of climate change and unusual weather activity;
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the cost and effect of unanticipated legal, tax or regulatory proceedings or new laws or regulations (including environmental, public health and consumer protection regulations);
- public perception regarding the safety of products, that we manufacture or sell, including the potential for environmental liabilities, product liability claims, litigation and other claims related to products manufactured by us and third parties;
- the impact of pending or threatened litigation;
- the impact of cybersecurity breaches or our actual or perceived failure to protect company and personal data;
- changes in accounting policies applicable to our business;
- our ability to utilize our net operating loss carry-forwards to offset tax liabilities from future taxable income;
- government regulations;
- the impact of expenses resulting from the implementation of new business strategies, divestitures or current and proposed restructuring activities;
- our inability to successfully integrate and operate new acquisitions at the level of financial performance anticipated;
- the unanticipated loss of key members of senior management;
- the effects of political or economic conditions, terrorist attacks, acts of war or other unrest in international markets; and
- the special committee’s exploration of strategic alternatives and the terms of any strategic transaction, if any.

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Some of the above-mentioned factors are described in further detail in the sections entitled “Risk Factors” in our annual and quarterly reports (including this report), as applicable. You should assume the information appearing in this report is accurate only as of the end of the period covered by this report, or as otherwise specified, as our business, financial condition, results of operations and prospects may have changed since that date. Except as required by applicable law, including the securities laws of the United States (“U.S.”) and the rules and regulations of the United States Securities and Exchange Commission (“SEC”), we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, to reflect actual results or changes in factors or assumptions affecting such forward-looking statements.

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SPECTRUM BRANDS HOLDINGS, INC.

SB/RH HOLDINGS, LLC

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This report is a combined report of Spectrum Brands Holdings, Inc. and SB/RH Holdings, LLC. The combined notes to the condensed consolidated financial statements include notes representing Spectrum Brands Holdings, Inc. and SB/RH Holdings, LLC and certain notes related specifically to SB/RH Holdings, LLC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SPECTRUM BRANDS HOLDINGS, INC.

Condensed Consolidated Statements of Financial Position

December 31, 2017 and September 30, 2017

(in millions, unaudited)

	December 31, 2017	September 30, 2017
Assets		
Cash and cash equivalents	$ 137.9	$ 168.2
Trade receivables, net	278.4	266.0
Other receivables	18.8	19.4
Inventories	580.7	496.3
Prepaid expenses and other current assets	56.2	54.2
Current assets of business held for sale	1,990.6	603.0
Total current assets	3,062.6	1,607.1
Property, plant and equipment, net	506.0	503.6
Deferred charges and other	61.2	43.5
Goodwill	2,276.4	2,277.1
Intangible assets, net	1,598.6	1,612.0
Noncurrent assets of business held for sale	—	1,376.4
Total assets	$ 7,504.8	$ 7,419.7
Liabilities and Shareholders' Equity		
Current portion of long-term debt	$ 20.1	$ 19.4
Accounts payable	320.7	371.6
Accrued wages and salaries	27.9	50.6
Accrued interest	40.7	48.5
Other current liabilities	118.1	123.4
Current liabilities of business held for sale	608.2	499.9
Total current liabilities	1,135.7	1,113.4
Long-term debt, net of current portion	3,959.2	3,752.6
Deferred income taxes	298.2	493.2
Other long-term liabilities	137.2	58.0

Noncurrent liabilities of business held for sale	—	155.8
Total liabilities	5,530.3	5,573.0
Commitments and contingencies (Note 17)		
Shareholders' equity		
Common Stock	0.6	0.6
Additional paid-in capital	2,122.0	2,145.3
Accumulated earnings	397.9	262.3
Accumulated other comprehensive loss, net of tax	(209.9)	(209.6)
Treasury stock, at cost	(345.9)	(360.7)
Total shareholders' equity	1,964.7	1,837.9
Noncontrolling interest	9.8	8.8
Total equity	1,974.5	1,846.7
Total liabilities and equity	$ 7,504.8	$ 7,419.7

See accompanying notes to the condensed consolidated financial statements

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SPECTRUM BRANDS HOLDINGS, INC.

Condensed Consolidated Statements of Income

For the three month periods ended December 31, 2017 and January 1, 2017

(in millions, except per share figures, unaudited)

	December 31, 2017	January 1, 2017
Net sales	$ 646.5	$ 602.3
Cost of goods sold	403.8	362.1
Restructuring and related charges	1.8	1.1
Gross profit	240.9	239.1
Selling	113.3	106.6
General and administrative	62.8	60.0
Research and development	7.0	6.6
Acquisition and integration related charges	5.2	3.3
Restructuring and related charges	18.6	1.1
Total operating expenses	206.9	177.6
Operating income	34.0	61.5
Interest expense	38.6	43.0
Other non-operating expense (income), net	1.3	(1.0)
(Loss) income from operations before income taxes	(5.9)	19.5
Income tax (benefit) expense	(126.0)	6.7
Net income from continuing operations	120.1	12.8
Income from discontinued operations, net of tax	40.9	52.4
Net income	161.0	65.2
Net income attributable to non-controlling interest	0.9	—
Net income attributable to controlling interest	$ 160.1	$ 65.2
Amounts attributable to controlling interest		
Net income from continuing operations attributable to controlling interest	$ 119.3	$ 12.7
Net Income from discontinued operations attributable to controlling interest	40.8	52.5
Net Income attributable to controlling interest	$ 160.1	$ 65.2
Earnings Per Share		
Basic earnings per share from continuing operations	$ 2.07	$ 0.21
Basic earnings per share from discontinued operations	0.70	0.89
Basic earnings per share	$ 2.77	$ 1.10
Diluted earnings per share from continuing operations	$ 2.07	$ 0.21
Diluted earnings per share from discontinued operations	0.70	0.89
Diluted earnings per share	$ 2.77	$ 1.10
Dividends per share	$ 0.42	$ 0.38
Weighted Average Shares Outstanding		
Basic	57.7	59.3
Diluted	57.7	59.5

See accompanying notes to the condensed consolidated financial statements

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SPECTRUM BRANDS HOLDINGS, INC.

Condensed Consolidated Statements of Comprehensive Income

For the three month periods ended December 31, 2017 and January 1, 2017

(in millions, unaudited)

	December 31, 2017	January 1, 2017
Net income	$ 161.0	$ 65.2
Other comprehensive income (loss), net of tax:		
Foreign currency translation loss, net tax of $7.3 and $3.9, respectively	(2.0)	(46.1)
Unrealized gain on hedging activity, net tax of $0.0 and $(14.2), respectively	1.8	24.2
Defined benefit pension gain , net tax of $0.0 and $(1.2), respectively	0.1	3.3
Other comprehensive loss, net of tax	(0.1)	(18.6)
Comprehensive income	160.9	46.6
Comprehensive income (loss) attributable to non-controlling interest	0.2	(0.3)
Comprehensive income attributable to controlling interest	$ 160.7	$ 46.9

See accompanying notes to the condensed consolidated financial statements

SPECTRUM BRANDS HOLDINGS, INC.

Condensed Consolidated Statements of Cash Flows

For the three month periods ended December 31, 2017 and January 1, 2017

(in millions, unaudited)

	December 31, 2017	January 1, 2017
Cash flows from operating activities		
Net income	$ 161.0	$ 65.2
Income from discontinued operations, net of tax	40.9	52.4
Net income from continuing operations	120.1	12.8
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	33.0	30.0
Share based compensation	3.8	7.2
Amortization of debt issuance costs	2.1	1.8
Purchase accounting inventory adjustment	0.8	—
Non-cash restructuring	(1.5)	0.7
Pet safety recall inventory write-off	1.6	—
Write-off of debt issuance costs	—	1.9
Non-cash debt accretion	0.4	0.2
Deferred tax benefit	(127.1)	19.6
Net changes in operating assets and liabilities	(170.9)	(134.1)
Net cash used by operating activities from continuing operations	(137.7)	(59.9)
Net cash (used) provided by operating activities from discontinued operations	(15.3)	65.7
Net cash (used) provided by operating activities	(153.0)	5.8
Cash flows from investing activities		
Purchases of property, plant and equipment	(17.9)	(21.1)
Proceeds from sales of property, plant and equipment	0.6	—
Other investing activities	—	(0.8)
Net cash used by investing activities from continuing operations	(17.3)	(21.9)
Net cash used by investing activities from discontinued operations	(6.9)	(6.8)
Net cash used by investing activities	(24.2)	(28.7)
Cash flows from financing activities		
Proceeds from issuance of debt	226.1	168.5
Payment of debt	(29.8)	(133.9)
Payment of debt issuance costs	(0.1)	(0.5)
Payment of cash dividends	(24.2)	(22.6)
Treasury stock purchases	(7.9)	(97.6)
Share based tax withholding payments, net of proceeds upon vesting	(22.2)	(23.2)
Net cash provided (used) by financing activities from continuing operations	141.9	(109.3)

Net cash provided by financing activities from discontinued operations	5.2	6.6
Net cash provided (used) by financing activities	147.1	(102.7)
Effect of exchange rate changes on cash and cash equivalents	(0.2)	(6.4)
Net change in cash and cash equivalents	(30.3)	(132.0)
Cash and cash equivalents, beginning of period	168.2	275.3
Cash and cash equivalents, end of period	$ 137.9	$ 143.3
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 57.5	$ 44.5
Cash paid for taxes	$ 10.0	$ 10.4
Non cash investing activities		
Acquisition of property, plant and equipment through capital leases	$ 2.1	$ 30.7
Non cash financing activities		
Issuance of shares through stock compensation plan	$ 37.8	$ 52.2

See accompanying notes to the condensed consolidated financial statements

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SB/RH HOLDINGS, LLC

Condensed Consolidated Statements of Financial Position

December 31, 2017 and September 30, 2017

(in millions, unaudited)

	December 31, 2017	September 30, 2017
Assets		
Cash and cash equivalents	$ 137.9	$ 168.2
Trade receivables, net	278.4	266.0
Other receivables	33.7	18.7
Inventories	580.7	496.3
Prepaid expenses and other current assets	56.2	54.2
Current assets of business held for sale	1,990.6	603.0
Total current assets	3,077.5	1,606.4
Property, plant and equipment, net	506.0	503.6
Deferred charges and other	51.0	28.4
Goodwill	2,276.4	2,277.1
Intangible assets, net	1,598.6	1,612.0
Noncurrent assets of business held for sale	—	1,376.4
Total assets	$ 7,509.5	$ 7,403.9
Liabilities and Shareholder's Equity		
Current portion of long-term debt	$ 20.1	$ 19.4
Accounts payable	320.7	371.6
Accrued wages and salaries	27.9	50.6
Accrued interest	40.7	48.5
Other current liabilities	116.6	118.9
Current liabilities of business held for sale	608.2	499.9
Total current liabilities	1,134.2	1,108.9
Long-term debt, net of current portion	3,959.2	3,752.6
Deferred income taxes	297.9	493.2
Other long-term liabilities	137.2	58.0
Noncurrent liabilities of business held for sale	—	155.8
Total liabilities	5,528.5	5,568.5
Commitments and contingencies (Note 17)		
Shareholder's equity		
Other capital	2,079.6	2,079.0
Accumulated earnings (deficit)	101.5	(42.8)
Accumulated other comprehensive loss, net of tax	(209.9)	(209.6)
Total shareholder's equity	1,971.2	1,826.6
Noncontrolling interest	9.8	8.8
Total equity	1,981.0	1,835.4

Total liabilities and equity	$ 7,509.5	$ 7,403.9

See accompanying notes to the condensed consolidated financial statements

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SB/RH HOLDINGS, LLC

Condensed Consolidated Statements of Income

For the three month periods ended December 31, 2017 and January 1, 2017

(in millions, unaudited)

	December 31, 2017	January 1, 2017
Net sales	$ 646.5	$ 602.3
Cost of goods sold	403.8	362.1
Restructuring and related charges	1.8	1.1
Gross profit	240.9	239.1
Selling	113.3	106.6
General and administrative	59.6	58.8
Research and development	7.0	6.6
Acquisition and integration related charges	5.2	3.3
Restructuring and related charges	18.6	1.1
Total operating expenses	203.7	176.4
Operating income	37.2	62.7
Interest expense	38.6	43.3
Other non-operating expense (income), net	1.3	(1.0)
(Loss) income from operations before income taxes	(2.7)	20.4
Income tax (benefit) expense	(131.2)	7.9
Net income from continuing operations	128.5	12.5
Income from discontinued operations, net of tax	40.9	52.4
Net income	169.4	64.9
Net income attributable to non-controlling interest	0.9	(0.1)
Net income attributable to controlling interest	$ 168.5	$ 65.0
Amounts attributable to controlling interest		
Net income from continuing operations attributable to controlling interest	$ 127.7	$ 12.5
Net Income from discontinued operations attributable to controlling interest	40.8	52.5
Net Income attributable to controlling interest	$ 168.5	$ 65.0

See accompanying notes to the condensed consolidated financial statements

SB/RH HOLDINGS, LLC

Condensed Consolidated Statements of Comprehensive Income

For the three month periods ended December 31, 2017 and January 1, 2017

(in millions, unaudited)

	December 31, 2017	January 1, 2017
Net income	$ 169.4	$ 64.9
Other comprehensive income (loss), net of tax:		
Foreign currency translation loss, net tax of $7.3 and $3.9, respectively	(2.0)	(46.1)
Unrealized gain on hedging activity, net tax of $0.0 and $(14.2), respectively	1.8	24.2
Defined benefit pension gain , net tax of $0.0 and $(1.2), respectively	0.1	3.3
Other comprehensive loss, net of tax	(0.1)	(18.6)
Comprehensive income	169.3	46.3
Comprehensive income (loss) attributable to non-controlling interest	0.2	(0.3)
Comprehensive income attributable to controlling interest	$ 169.1	$ 46.6

See accompanying notes to the condensed consolidated financial statements

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SB/RH HOLDINGS, LLC

Condensed Consolidated Statements of Cash Flows

For the three month periods ended December 31, 2017 and January 1, 2017

(in millions, unaudited)

	December 31, 2017	January 1, 2017
Cash flows from operating activities		
Net income	$ 169.4	$ 64.9
Income from discontinued operations, net of tax	40.9	52.4
Income from continuing operations	128.5	12.5
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	33.0	30.0
Share based compensation	3.3	6.2
Amortization of debt issuance costs	2.1	1.8
Purchase accounting inventory adjustment	0.8	—
Noncash restructuring	(1.5)	0.7
Pet safety recall inventory write-off	1.6	—
Write-off of debt issuance costs	—	1.9
Non-cash debt accretion	0.4	0.2
Deferred tax benefit	(132.2)	20.8
Net changes in operating assets and liabilities	(203.8)	(157.2)
Net cash used by operating activities from continuing operations	(167.8)	(83.1)
Net cash (used) provided by operating activities from discontinued operations	(15.3)	65.7
Net cash used by operating activities	(183.1)	(17.4)
Cash flows from investing activities		
Purchases of property, plant and equipment	(17.9)	(21.1)
Proceeds from sales of property, plant and equipment	0.6	—
Other investing activities	—	(0.8)
Net cash used by investing activities from continuing operations	(17.3)	(21.9)
Net cash used by investing activities from discontinued operations	(6.9)	(6.8)
Net cash used by investing activities	(24.2)	(28.7)
Cash flows from financing activities		
Proceeds from issuance of debt	226.1	200.3
Payment of debt	(29.8)	(133.9)
Payment of debt issuance costs	(0.1)	(0.5)
Payment of cash dividends to parent	(24.2)	(147.6)
Net cash provided (used) by financing activities from continuing operations	172.0	(81.7)
Net cash provided by financing activities from discontinued operations	5.2	6.6
Net cash provided (used) by financing activities	177.2	(75.1)
Effect of exchange rate changes on cash and cash equivalents	(0.2)	(6.4)
Net change in cash and cash equivalents	(30.3)	(127.6)

Cash and cash equivalents, beginning of period	168.2	270.8
Cash and cash equivalents, end of period	$ 137.9	$ 143.2
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 57.5	$ 44.5
Cash paid for taxes	$ 10.0	$ 10.4
Non cash investing activities		
Acquisition of property, plant and equipment through capital leases	$ 2.1	$ 30.7

See accompanying notes to the condensed consolidated financial statements

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SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in millions, unaudited)

This report is a combined report of Spectrum Brands Holdings, Inc. (“SBH”) and SB/RH Holdings, LLC (“SB/RH”) (collectively, the “Company”). The notes to the condensed consolidated financial statements that follow include both consolidated SBH and SB/RH notes, unless otherwise indicated below.

NOTE 1 - BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

We are a diversified global branded consumer products company. The Company manufactures, markets and/or distributes its products in approximately 160 countries in the North America (“NA”), Europe, Middle East & Africa (“EMEA”), Latin America (“LATAM”) and Asia-Pacific (“APAC”) regions through a variety of trade channels, including retailers, wholesalers and distributors, original equipment manufacturers (“OEMs”), construction companies and hearing aid professionals. We enjoy strong name recognition in our regions under our various brands and patented technologies. Our diversified global branded consumer products have positions in several product categories and types. We manage the businesses in five vertically integrated, product-focused segments: (i) Global Batteries & Appliances (“GBA”), (ii) Global Pet Supplies (“PET”), (iii) Home and Garden (“H&G”), (iv) Hardware & Home Improvement (“HHI”) and (v) Global Auto Care (“GAC”). Global and geographic strategic initiatives and financial objectives are determined at the corporate level. Each segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives and has a president responsible for sales and marketing initiatives and the financial results for all product lines within that segment.

Effective December 29, 2017, the Company’s Board of Directors approved a plan to explore strategic alternatives, including a planned sale of the Company’s GBA segment. The Company expects a sale to be realized by December 31, 2018. As a result, the Company’s assets and liabilities associated with the GBA segment have been classified as held for sale in the accompanying Condensed Consolidated Balance Sheets and the respective operations of the GBA segment have been classified as discontinued operations in the accompanying Condensed Consolidated Statements of Income and Statements of Cash Flows; and reported separately for all periods presented as the disposition represents a strategic shift that will have a major effect on the Company’s operations and financial results. See Note 3 – Divestitures for more information on the assets and liabilities classified as held for sale and discontinued operations. See Note 18 - Segment Information for more information pertaining to segments of continuing operations. The following table summarizes the respective product types, brands, and regions for each of the segments of continuing operations:

Segment	Products	Brands	Regions
HHI	Hardware: Hinges, security hardware, screen and storm door	Hardware: National Hardware®, Stanley® and FANAL®. Security: Kwikset®, Weiser®, Baldwin®, EZSET® and	NA EMEA

	products, garage door hardware, window hardware and floor protection. Security: Residential locksets and door hardware including knobs, levers, deadbolts, handlesets and electronics. Commercial doors, locks, and hardware. Plumbing: Kitchen, bath and shower faucets and plumbing products.	Tell®. Plumbing: Pfister®.	LATAM APAC
PET	Companion Animal: Dog, cat and small animal food and treats; clean-up and training aid products and accessories; pet health and grooming products. Aquatics: Aquariums and aquatic health supplies.	Companion Animal: 8-in-1®, Dingo®, Nature's Miracle®, Wild Harvest®, Littermaid®, Jungle®, Excel®, FURminator®, IAMS®, Eukanuba®, Healthy-Hide®, DreamBone®, SmartBones®, GloFish®, ProSense®, Perfect Coat®, eCOTRITION®, Birdola® and Digest-eeze®. Aquatics: Tetra®, Marineland®, Whisper® and Instant Ocean®.	NA EMEA LATAM APAC
H&G	Controls: Outdoor insect and weed control solutions, animal repellents. Household: Household insecticides and pest controls. Repellents: Personal use pesticides and insect repellent products.	Controls: Spectracide®, Garden Safe®, Liquid Fence®, and EcoLogic®. Household: Hot Shot®, Black Flag®, Real Kill®, Ultra Kill®, The Ant Trap® (TAT), and Rid-a-Bug®. Repellents: Cutter® and Repel®.	NA LATAM
GAC	Appearance: Protectants, wipes, tire and wheel care products, glass cleaners, leather care products, air fresheners and washes. Performance: Automotive fuel and oil additives, and functional fluids. A/C Recharge: Do-it-yourself air conditioner recharge products, refrigerant and oil recharge kits, sealants and accessories.	Appearance: Armor All®. Performance: STP®. A/C Recharge: A/C PRO®.	NA EMEA LATAM APAC

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The accompanying unaudited condensed consolidated financial statements have been prepared by the Company and its majority owned subsidiaries in accordance with accounting principles for interim financial information generally accepted in the United States and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and notes necessary for a comprehensive presentation of financial position and results of operations. It is management's opinion, however, that all material adjustments have been made which are necessary for a fair financial statement presentation. For further information, refer to the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended September 30, 2017.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Assets Held for Sale and Discontinued Operations

The Company reports the results of operations of a business as discontinued operations if a disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the business is sold and classified as held for sale, in accordance with the criteria of Accounting Standard Codification ("ASC") Topic 205 Presentation of Financial Statements and ASC Topic 360 Property, Plant and Equipment ("ASC 360"). The results of discontinued operations are reported in Income From Discontinued Operations, Net of Tax in the accompanying Condensed Consolidated Statements of Income for the current and prior periods commencing in the period in which the business meets the criteria of a discontinued operations, and include any gain or loss recognized on closing, or adjustment of the carrying amount to fair value less cost to sell. Assets and liabilities of a business classified as held for sale are recorded at the lower of its carrying amount or estimated fair value less cost to sell. If the carrying amount of the business exceeds its estimated fair value less cost to sell, a loss is recognized. Assets and liabilities related to a business classified as held for sale are segregated in the current and prior balance sheets in the period in which the business is classified as held for sale. Transactions between the businesses held for sale and businesses held for use that are expected to continue to exist after the disposal are not eliminated to appropriately reflect the continuing operations and balances held for sale. If a business is classified as held for sale after the balance sheet date but before the financial statements are issued or are available to be issued, the business continues to be classified as held and used in those financial statements when issued or when available to be issued.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU requires revenue recognition to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new revenue recognition model requires identifying the contract and performance obligations, determining the transaction price, allocating the transaction price to performance obligations and recognizing the revenue upon satisfaction of performance obligations. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. This ASU can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the updates recognized at the date of the initial application along with additional disclosures. The ASU will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2019. We have performed a preliminary assessment over the impact of the pronouncement to the Company and are currently performing detailed assessments over the contracts with our customers and the impact to our processes and control environment. We have not measured the impact of adoption at this point in our assessment and have not concluded on the overall materiality of the impact of adoption to the Company’s consolidated financial statements and disclosures, or the method of adoption, but have not identified any matters that are considered significant for further disclosure.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which supersedes the lease requirements in ASC 840, Leases. This ASU requires lessees to recognize lease assets and liabilities on the balance sheet, as well as disclosing key information about leasing arrangements. Although the new ASU requires both operating and finance leases to be disclosed on the balance sheet, a distinction between the two types still exists as the economics of leases can vary. The ASU can be applied using a modified retrospective approach, with a number of optional practical expedients relating to the identification and classification of leases that commenced before the effective date, along with the ability to use hindsight in the evaluation of lease decisions, that entities may elect to apply. As a result, the ASU will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2020, with early adoption applicable. We have not measured the impact of adoption at this point in our assessment and have not concluded on the overall materiality of the impact of adoption to the Company’s consolidated financial statements, or determined the method and timing of adoption.

In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments, which addresses diversity in practice with the classification and presentation of certain cash receipts and cash payments in the statement of cash flows. The amendments in this update address the classification within the statement of cash flow for debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent payments made after a business combination, proceeds from the settlement of insurance claims and corporate-owned life insurance policies, distributions received from equity method investees, and beneficial interests in securitization transactions, among other separately identifiable cash flows when applying the predominance principle. The ASU is applied on a retrospective basis, and will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2019; with early adoption available. We are currently assessing the impact this pronouncement will have on the consolidated financial statements of the Company and have not yet concluded on the materiality or timing of adoption.

In November 2016, the FASB issued ASU No. 2016-18, Restricted Cash, which addresses diversity in practice with the classification and presentation of restricted cash in the statement of cash flow, classifying transfers between cash and restricted cash as operating, investing, or financing activities, or as a combination of those activities, in the statement of cash flows. The amendment requires the statement of cash flows to explain the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents; and include with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the statement of cash flows. The ASU is applied on a retrospective basis, and will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2019; with early adoption available. We are currently assessing the impact this pronouncement will have on the consolidated financial statements of the Company and have not yet concluded on the materiality or timing of adoption.

In March 2017, the FASB issued ASU No. 2017-07, Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which requires an employer to disaggregate the service cost component from the other components of net periodic pension costs within the statement of income. The amendment provides guidance requiring the service cost component to be recognized consistent with other compensation costs arising from service rendered by employees during the period, and all other components to be recognized separately outside of the subtotal of income from operations. The ASU is applied on a retrospective basis, and will become effective for us in the first quarter of the year ending September 30, 2019; with early adoption available. We are currently assessing the impact this pronouncement will have on the consolidated financial statements of the Company and have not yet concluded on the materiality of the adoption.

In August 2017, the Financial Accounting Standards Board ("FASB") issued ASU No. 2017-12, Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities (Topic 815), which changes the designation and measurement guidance for qualifying hedging relationships and presentation of hedge results. The amendments in this update make certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP, better aligning the entity's risk management activities and financial reporting for hedging relationships. The ASU can only be applied prospectively, and will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2020; with early adoption available. We are currently assessing the impact this pronouncement will have on the consolidated financial statements of the Company and have not yet concluded on the materiality or timing of the adoption.

During the three month period ended December 31, 2017, the Company adopted SEC Staff Accounting Bulletin No. 118 to address the application of U.S. GAAP in situations when the registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Cuts and Jobs Act. See Note 16 – Income Taxes for additional discussion.

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NOTE 3 – DIVESTITURES

As previously discussed in Note 1 - Basis of Presentation and Nature of Operations, the GBA segment was classified as held for sale in the accompanying Condensed Consolidated Balance Sheets and as discontinued operations in the accompanying Condensed Consolidated Statements of Income. The following table summarizes the assets and liabilities of the GBA segment classified as held for sale as of December 31, 2017 and September 30, 2017.

(in millions)	December 31, 2017	September 30, 2017
Assets		
Trade receivables, net	$ 282.5	$ 260.1
Other receivables	29.1	24.1
Inventories	273.3	279.1
Prepaid expenses and other current assets	40.7	39.7
Property, plant and equipment, net	194.8	196.4
Deferred charges and other	17.3	19.2
Goodwill	348.6	348.9
Intangible assets, net	804.3	811.9
Total assets of business held for sale	$ 1,990.6	$ 1,979.4
Liabilities		
Current portion of long-term debt	23.5	17.3
Accounts payable	302.3	355.9
Accrued wages and salaries	29.8	36.9
Other current liabilities	98.8	89.8
Long-term debt, net of current portion	51.1	51.4
Deferred income taxes	36.8	38.2
Other long-term liabilities	65.9	66.2
Total liabilities of business held for sale	$ 608.2	$ 655.7

The following table summarizes the components of Income From Discontinued Operations in the accompanying Condensed Consolidated Statements of Operations for the three month periods ended December 31, 2017 and January 1, 2017.

(in millions)	December 31, 2017	January 1, 2017
Net sales	$ 603.3	$ 609.5
Cost of goods sold	403.4	398.6
Gross profit	199.9	210.9
Operating expenses	131.7	121.3

Operating income		68.2		89.6
Interest expense		13.7		12.8
Other non-operating expense, net		0.3		—
Income from discontinued operations before income taxes		54.2		76.8
Income tax expense		13.3		24.4
Net income from discontinued operations		40.9		52.4
Net income from discontinued operations attributable to non-controlling interest		0.1		(0.1)
Net income from discontinued operations attributable to controlling interest	$	40.8	$	52.5

Interest expense consists of interest from debt directly held by subsidiaries of the business held for sale, including interest from capital leases, and interest on Term Loans required to be paid down using proceeds received on disposal on sale of a business within 365 days with the exception for funds used for capital expenditures and acquisitions. There has been no impairment loss recognized as the fair value or expected proceeds from the disposal of the businesses is anticipated to be in excess of the asset carrying values.

Energizer Holdings, Inc.

On January 15, 2018, subsequent to the end of the three month period ended December 31, 2017, the Company entered into a definitive Acquisition Agreement (“Agreement”) with Energizer Holdings, Inc. (“Energizer”) where Energizer will acquire from the Company its Global Battery and Lighting (“GBL”) business for an aggregate purchase price of $2.0 billion in cash, subject to customary purchase price adjustments.

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The Agreement provides that Energizer will purchase the equity of certain subsidiaries of the Company, and acquire certain assets and assume certain liabilities of other subsidiaries used or held for the purpose of the GBL business.

In the Agreement, the Company and Energizer have made customary representations and warranties and have agreed to customary covenants relating to the acquisition. Among other things, prior to the consummation of the acquisition, the Company will be subject to certain business conduct restrictions with respect to its operation of the GBL business.

The Company and Energizer have agreed to indemnify each other for losses arising from certain breaches of the Agreement and for certain other matters. In particular, the Company has agreed to indemnify Energizer for certain liabilities relating to the assets retained by the Company, and Energizer has agreed to indemnify the Company for certain liabilities assumed by Energizer, in each case as described in the Agreement.

The Company and Energizer have agreed to enter into related agreements ancillary to the acquisition that will become effective upon the consummation of the acquisition, including a customary transition services agreement and reverse transition services agreement.

The consummation of the acquisition is subject to certain customary conditions, including, among other things, (i) the absence of a material adverse effect on GBL, (ii) the expiration or termination of required waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, (iii) the receipt of certain other antitrust approvals in certain specified foreign jurisdictions (the conditions contained in (ii) and (iii) together, the “Antitrust Conditions”), (iv) the accuracy of the representations and warranties of the parties generally subject to a customary material adverse effect standard (as described in the Agreement) or other customary materiality qualifications), (v) the absence of governmental restrictions on the consummation of the acquisition in certain jurisdictions, and (vi) material compliance by the parties with their respective covenants and agreements under the Agreement. The consummation of the transaction is not subject to any financing condition. The transaction is expected to be consummated prior to December 31, 2018.

The Agreement also contains certain termination rights, including the right of either party to terminate the Agreement if the consummation of the acquisition has not occurred on or before July 15, 2019 (the “Termination Date”). Further, if the acquisition has not been consummated by the Termination Date and all conditions precedent to Energizer’s obligation to consummate the acquisition have otherwise been satisfied except for one or more of the Antitrust Conditions, then Energizer would be required to pay the Company a termination fee of $100 million.

The GBL business is a component of the GBA segment, which also includes shared operations and assets of the remaining components of the segment consisting of the Home and Personal Care (“HPC”) business. The Company is actively marketing the HPC business with interested parties for a separate transaction(s) expected to be entered into and consummated prior to December 31, 2018.

NOTE 4 – ACQUISITION AND INTEGRATION COSTS

The following summarizes acquisition and integration related charges for the three month periods ended December 31, 2017 and January 1, 2017:

(in millions)	December 31, 2017	January 1, 2017
HHI Business	$ 2.7	$ 1.9
PetMatrix	1.6	—
Glofish	0.4	—
Armored AutoGroup	0.2	1.3
Other	0.3	0.1
Total acquisition and integration related charges	$ 5.2	$ 3.3

Acquisition and integration costs include costs directly associated with the completion of the purchase of net assets or equity interest of a business such as a business combination, equity investment, joint venture or purchase of non-controlling interest. Included costs include transactions costs; advisory, legal, accounting, valuation, and other professional fees; and integration of acquired operations onto the Company’s shared service platform and termination of redundant positions and locations.

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NOTE 5 - RESTRUCTURING AND RELATED CHARGES

PET Rightsizing Initiative – During the second quarter of the year ended September 30, 2017, the Company implemented a rightsizing initiative within the PET segment to streamline certain operations and reduce operating costs. The initiative includes headcount reductions and the rightsizing of certain facilities. Total costs associated with this initiative are expected to be approximately $9 million, of which $8.8 million has been incurred to date. The balance is anticipated to be incurred through September 30, 2018.

HHI Distribution Center Consolidation – During the second quarter of the year ended September 30, 2017, the Company implemented an initiative within the HHI segment to consolidate certain operations and reduce operating costs. The initiative includes headcount reductions and the exit of certain facilities. Total costs associated with the initiative are expected to be approximately $55 million, of which $42.6 million has been incurred to date. The balance is anticipated to be incurred through September 30, 2018.

GAC Business Rationalization Initiatives – During the third quarter of the year ended September 30, 2016, the Company implemented a series of initiatives in the GAC segment to consolidate certain operations and reduce operating costs. These initiatives included headcount reductions and the exit of certain facilities. Total costs associated with these initiatives are expected to be approximately $35 million, of which $33.6 million has been incurred to date. The balance is anticipated to be incurred through September 30, 2018.

Other Restructuring Activities – The Company is entering or may enter into small, less significant initiatives and restructuring activities to reduce costs and improve margins throughout the organization. Individually these activities are not substantial, and occur over a shorter time period (less than 12 months).

The following summarizes restructuring and related charges for the three month periods ended December 31, 2017 and January 1, 2017:

(in millions)	December 31, 2017	January 1, 2017
HHI distribution center consolidation	$ 15.2	$ —

GAC business rationalization initiative	4.0	1.5
PET rightsizing initiative	0.6	—
Other restructuring activities	0.6	0.7
Total restructuring and related charges	$ 20.4	$ 2.2
Reported as:		
Cost of goods sold	$ 1.8	$ 1.1
Operating expense	18.6	1.1

The following is a summary of restructuring and related charges for the three month periods ended December 31, 2017 and January 1, 2017 and cumulative costs for current restructuring initiatives as of December 31, 2017, by cost type:

(in millions)	Termination Benefits	Other Costs	Total
For the three month period ended December 31, 2017	$ 1.1	$ 19.3	$ 20.4
For the three month period ended January 1, 2017	0.8	1.4	2.2
Cumulative costs through December 31, 2017	12.1	73.9	86.0
Future costs to be incurred	0.2	16.0	16.2

Termination costs consist of involuntary employee termination benefits and severance pursuant to a one-time benefit arrangement recognized as part of a restructuring initiative. Other costs consist of non-termination type costs related to restructuring initiatives such as incremental costs to consolidate or close facilities, relocate employees, cost to retrain employees to use newly deployed assets or systems, lease termination costs, and redundant or incremental transitional operating costs and customer fines and penalties during transition, among others.

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The following is a rollforward of the accrual related to all restructuring and related activities, included within Other Current Liabilities, by cost type for the three month period ended December 31, 2017.

(in millions)	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2017	$ 7.2	$ 9.8	$ 17.0
Provisions	0.4	(1.9)	(1.5)
Cash expenditures	(1.6)	(0.8)	(2.4)
Non-cash items	0.1	—	0.1
Accrual balance at December 31, 2017	$ 6.1	$ 7.1	$ 13.2

The following summarizes restructuring and related charges by segment for the three month periods ended December 31, 2017 and January 1, 2017, cumulative costs incurred through December 31, 2017, and future expected costs to be incurred by segment:

(in millions)	PET	HHI	GAC	Corporate	Total
For the three month period ended December 31, 2017	$ 0.6	$ 15.2	$ 4.0	$ 0.6	$ 20.4
For the three month period ended January 1, 2017	0.6	0.1	1.5	—	2.2
Cumulative costs through December 31, 2017	8.8	42.6	33.6	1.0	86.0
Future costs to be incurred	0.2	12.3	1.2	2.5	16.2

NOTE 6 - RECEIVABLES AND CONCENTRATION OF CREDIT RISK

The allowance for uncollectible receivables as of December 31, 2017 and September 30, 2017 was $29.0 million and $23.5 million, respectively. The Company has a broad range of customers including many large retail outlet chains, three of which exceed 10% of consolidated Net Sales and/or Trade Receivables. These three customers represented 35% and 36% of Net Sales for the three month periods ended December 31, 2017 and January 1, 2017, respectively; and 30% and 36% of Trade Receivables at December 31, 2017 and September 30, 2017, respectively.

NOTE 7 - INVENTORIES

Inventories consist of the following:

(in millions)	December 31, 2017	September 30, 2017
Raw materials	$ 103.2	$ 95.7
Work-in-process	51.1	35.5
Finished goods	426.4	365.1
	$ 580.7	$ 496.3

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

(in millions)	December 31, 2017	September 30, 2017
Land, buildings and improvements	$ 148.4	$ 145.7
Machinery, equipment and other	386.0	379.3
Capital leases	212.2	210.7
Construction in progress	45.7	40.4
Property, plant and equipment	$ 792.3	$ 776.1
Accumulated depreciation	(286.3)	(272.5)
Property, plant and equipment, net	$ 506.0	$ 503.6

Depreciation expense from property, plant and equipment for the three month periods ended December 31, 2017 and January 1, 2017 was $18.0 million and $14.6 million, respectively.

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NOTE 9 - GOODWILL AND INTANGIBLE ASSETS

Goodwill, by segment, consists of the following:

(in millions)	HHI	PET	H&G	GAC	Total
As of September 30, 2017	708.7	437.1	196.5	934.8	2,277.1
Foreign currency impact	0.1	(0.4)	—	(0.4)	(0.7)
As of December 31, 2017	$ 708.8	$ 436.7	$ 196.5	$ 934.4	$ 2,276.4

The carrying value and accumulated amortization for intangible assets subject to amortization are as follows:

	December 31, 2017			September 30, 2017		
(in millions)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	$ 672.6	$ (232.4)	$ 440.2	$ 671.7	$ (222.3)	$ 449.4
Technology assets	231.6	(101.2)	130.4	194.6	(59.7)	134.9
Tradenames	5.5	(2.8)	2.7	18.5	(15.1)	3.4
Total	$ 909.7	$ (336.4)	$ 573.3	$ 884.8	$ (297.1)	$ 587.7

The range and weighted average useful lives for definite-lived intangible assets are as follows:

Asset Type	Range	Weighted Average
Customer relationships	2 - 20 years	17.9 years
Technology assets	6 - 18 years	11.4 years
Tradenames	5 - 13 years	6.2 years

Certain tradename intangible assets have an indefinite life and are not amortized. The balance of tradenames not subject to amortization was $1,025.3 million and $1,024.3 million as of December 31, 2017 and September 30, 2017, respectively. There was no impairment loss on indefinite-lived trade names for the three month periods ended December 31, 2017 and January 1, 2017.

Amortization expense from intangible assets for the three month periods ended December 31, 2017 and January 1, 2017 was $15.0 million and $15.4 million, respectively. Excluding the impact of any future acquisitions or changes in foreign currency, the Company estimates annual amortization expense of intangible assets for the next five fiscal years will be as follows:

(in millions)	Amortization
2018	$ 57.5
2019	57.4
2020	55.0
2021	49.7
2022	48.0

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NOTE 10 - DEBT

Debt for SBH and SB/RH consists of the following:

(in millions)	December 31, 2017 Amount	Rate	September 30, 2017 Amount	Rate
Term Loan, variable rate, due June 23, 2022	$ 1,241.1	3.5 %	$ 1,244.2	3.4 %
CAD Term Loan, variable rate, due June 23, 2022	34.3	5.0 %	59.0	4.9 %
4.00% Notes, due October 1, 2026	507.6	4.0 %	500.9	4.0 %
5.75% Notes, due July 15, 2025	1,000.0	5.8 %	1,000.0	5.8 %
6.125% Notes, due December 15, 2024	250.0	6.1 %	250.0	6.1 %
6.625% Notes, due November 15, 2022	570.0	6.6 %	570.0	6.6 %
Revolver Facility, variable rate, expiring March 6, 2022	226.0	4.1 %	—	— %
Other notes and obligations	4.0	8.0 %	4.7	8.0 %
Obligations under capital leases	200.7	5.7 %	200.0	5.7 %
Total debt	4,033.7		3,828.8	
Unamortized discount on debt	(3.3)		(3.7)	
Debt issuance costs	(51.1)		(53.1)	
Less current portion	(20.1)		(19.4)	
Long-term debt, net of current portion	$ 3,959.2		$ 3,752.6	

The Term Loans and Revolver Facility are subject to variable interest rates, (i) the USD Term Loan is subject to either adjusted LIBOR (International Exchange London Interbank Offered Rate), plus margin of 2.00% per annum, or base rate plus margin of 1.00% per annum, (ii) the CAD Term Loan is subject to either CDOR (Canadian Dollar Offered Rate), subject to a 0.75% floor plus 3.50% per annum, or base rate with a 1.75% floor plus 2.50% per annum, (iii) the Revolver Facility is subject to either adjusted LIBOR plus margin ranging from 1.75% to 2.25% per annum, or base rate plus margin ranging from 0.75% to 1.25% per annum. As a result of borrowings and payments under the Revolver Facility, at December 31, 2017, the Company had borrowing availability of $454.4 million, net outstanding letters of credit of $18.0 million and a $1.5 million amount allocated to a foreign subsidiary.

NOTE 11 - DERIVATIVES

Cash Flow Hedges

Interest Rate Swaps. The Company uses interest rate swaps to manage its interest rate risk. The swaps are designated as cash flow hedges with the changes in fair value recorded in Accumulated Other Comprehensive Income (“AOCI”) and as a derivative hedge asset or liability, as applicable. The swaps settle periodically in arrears with the related amounts for the current settlement period payable to, or receivable from, the counterparties included in accrued liabilities or receivables, respectively, and recognized in earnings as an adjustment to interest from the underlying debt to which the swap is designated. At December 31, 2017 and September 30, 2017, the Company had a series of U.S. dollar denominated interest rate swaps outstanding which effectively fix the interest on floating rate debt, exclusive of lender spreads, at 1.76% for a notional principal amount of $300.0 million through May 2020. The derivative net gain estimated to be reclassified from AOCI into earnings over the next 12 months is $0.1 million, net of tax. The Company’s interest rate swap derivative financial instruments at December 31, 2017 and September 30, 2017 are as follows:

	December 31, 2017		September 30, 2017	
(in millions)	Notional Amount	Remaining Years	Notional Amount	Remaining Years
Interest rate swaps - fixed	$ 300.0	2.3	$ 300.0	2.6

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Commodity Swaps. The Company is exposed to risk from fluctuating prices for raw materials, specifically brass used in its manufacturing processes. The Company hedges a portion of the risk associated with the purchase of these materials through the use of commodity swaps. The hedge contracts are designated as cash flow hedges with the fair value changes recorded in AOCI and as a hedge asset or liability, as applicable. The unrecognized changes in fair value of the hedge contracts are reclassified from AOCI into earnings when the hedged purchase of raw materials also affects earnings. The swaps effectively fix the floating price on a specified quantity of raw materials through a specified date. At December 31, 2017, the Company had a series of brass swap contracts outstanding through June 2019. The derivative net gains estimated to be reclassified from AOCI into earnings over the next 12 months is $0.6 million, net of tax. The Company had the following commodity swap contracts outstanding as of December 31, 2017 and September 30, 2017.

	December 31, 2017		September 30, 2017	
(in millions, except notional)	Notional	Contract Value	Notional	Contract Value
Brass swap contracts	1.2 Tons	$ 6.4	1.3 Tons	$ 6.6

Foreign exchange contracts. The Company periodically enters into forward foreign exchange contracts to hedge a portion of the risk from forecasted foreign currency denominated third party and intercompany sales or payments. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Euros, Canadian Dollars or Japanese Yen. These foreign exchange contracts are cash flow hedges of fluctuating foreign exchange related to sales of product or raw material purchases. Until the sale or purchase is recognized, the fair value of the related hedge is recorded in AOCI and as a derivative hedge asset or liability, as applicable. At the time the sale or purchase is recognized, the fair value of the related hedge is reclassified as an adjustment to Net Sales or purchase price variance in Cost of Goods Sold on the Condensed Consolidated Statements of Income. At December 31, 2017, the Company had a series of foreign exchange derivative contracts outstanding through August 2019. The derivative net gains estimated to be reclassified from AOCI into earnings over the next 12 months is $0.8 million, net of tax. At December 31, 2017 and September 30, 2017, the Company had foreign exchange derivative contracts designated as cash flow hedges with a notional value of $53.2 million and $67.5 million, respectively.

Net Investment Hedge

On September 20, 2016, SBI issued €425 million aggregate principle amount of 4.00% Notes. See Note 10 - Debt for further detail. The 4.00% Notes are denominated in Euros and have been designated as a net investment hedge of the translation of the Company’s net investments in Euro denominated subsidiaries at the time of issuance. As a result, the translation of the Euro denominated debt is recognized as AOCI with any ineffective portion recognized as foreign currency translation gains or losses on the statement of income when the aggregate principal exceeds the net investment in its Euro denominated subsidiaries. Net gains or losses from the net investment hedge are reclassified from AOCI into earnings upon a liquidation event or deconsolidation of Euro denominated subsidiaries. As of December 31, 2017, the hedge was fully effective and no ineffective portion was recognized in earnings.

Derivative Contracts Not Designated as Hedges for Accounting Purposes

Foreign exchange contracts. The Company periodically enters into forward and swap foreign exchange contracts to economically hedge a portion of the risk from third party and intercompany payments resulting from existing obligations. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Canadian Dollars, Euros, Pounds Sterling, Taiwanese Dollars, Hong Kong Dollars or Australian Dollars. These foreign exchange contracts are fair value hedges of a related liability or asset recorded in the accompanying Condensed Consolidated Statements of Financial Position. The gain or loss on the derivative hedge contracts is recorded in earnings as an offset to the change in value of the related liability or asset at each period end. At December 31, 2017, the Company had a series of forward exchange contracts outstanding through January 2018. At December 31, 2017 and September 30, 2017, the Company had $90.5 million and $62.9 million, respectively, of notional value of such foreign exchange derivative contracts outstanding.

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Fair Value of Derivative Instruments

The fair value of the Company's outstanding derivative contracts recorded in the Condensed Consolidated Statements of Financial Position is as follows:

(in millions)	Line Item	December 31, 2017	September 30, 2017
Derivative Assets			
Commodity swaps - designated as hedge	Receivables—Other	$ 0.9	$ 0.6
Commodity swaps - designated as hedge	Deferred charges and other	0.1	—
Interest rate swaps - designated as hedge	Receivables—Other	0.1	—
Interest rate swaps - designated as hedge	Deferred charges and other	2.1	0.4
Foreign exchange contracts - designated as hedge	Receivables—Other	0.2	0.2
Foreign exchange contracts - not designated as hedge	Receivables—Other	0.4	0.3
Total Derivative Assets		$ 3.8	$ 1.5
Derivative Liabilities			
Interest rate swaps - designated as hedge	Other current liabilities	$ —	$ 0.5
Interest rate swaps - designated as hedge	Accrued interest	0.2	0.2
Foreign exchange contracts - designated as hedge	Accounts payable	1.3	2.3
Foreign exchange contracts - designated as hedge	Other long-term liabilities	—	0.3
Total Derivative Liabilities		$ 1.5	$ 3.3

The Company is exposed to the risk of default by the counterparties with which it transacts and generally does not require collateral or other security to support financial instruments subject to credit risk. The Company monitors counterparty credit risk on an individual basis by periodically assessing each counterparty's credit rating exposure. The maximum loss due to credit risk equals the fair value of the gross asset derivatives that are concentrated with certain domestic and foreign financial institution counterparties. The Company considers these exposures when measuring its credit reserve on its derivative assets, which was less than $0.1 million as of December 31, 2017 and September 30, 2017.

The Company's standard contracts do not contain credit risk related contingent features whereby the Company would be required to post additional cash collateral as a result of a credit event. However, the Company is typically required to post collateral in the normal course of business to offset its liability positions. As of December 31, 2017 and September 30, 2017, there was no cash collateral outstanding. In addition, as of December 31, 2017 and September 30, 2017, the Company had no posted standby letters of credit related to such liability positions.

The following summarizes the impact of derivative instruments on the accompanying Condensed Consolidated Statements of Income for the three month periods ended December 31, 2017 and January 1, 2017, pretax:

For the three month period ended December 31, 2017 (in millions)	Gain (Loss) in OCI	Effective Portion Reclassified to Continuing Operations Line Item	Gain (Loss)	Ineffective portion Line Item	Gain (Loss)
Interest rate swaps	$ 2.0	Interest expense	$ (0.3)	Interest expense	$ —
Commodity swaps	1.8	Cost of goods sold	0.3	Cost of goods sold	—
Net investment hedge	(6.6)	Other non-operating expense	—	Other non-operating expense	—
Foreign exchange contracts	—	Net sales	0.1	Net sales	—
Foreign exchange contracts	2.0	Cost of goods sold	0.2	Cost of goods sold	—
Total	$ (0.8)		$ 0.3		$ —

For the three month period ended January 1, 2017 (in millions)	Gain (Loss) in OCI	Effective Portion Reclassified to Continuing Operations Line Item	Gain (Loss)	Ineffective portion Line Item	Gain (Loss)
Interest rate swaps	$ 0.1	Interest expense	$ (0.3)	Interest expense	$ —
Commodity swaps	0.1	Cost of goods sold	—	Cost of goods sold	—
Net investment hedge	32.5	Other non-operating expense	—	Other non-operating expense	—
Foreign exchange contracts	0.2	Net sales	—	Net sales	—
Foreign exchange contracts	10.3	Cost of goods sold	0.1	Cost of goods sold	—
Total	$ 43.2		$ (0.2)		$ —

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For the three month period ended December 31, 2017, there was $1.2 million of gains from commodity swaps and $4.1 million of losses from foreign exchange contracts reclassified from AOCI to income from discontinued operations. For the three month period ended January 1, 2017, there was $0.8 million of gains from commodity swaps and $4.2 million of gains from foreign exchange contracts reclassified from AOCI to income from discontinued operations.

The following summarizes the loss associated with derivative contracts not designated as hedges in the Condensed Consolidated Statements of Income for the three month periods ended December 31, 2017 and January 1, 2017:

(in millions)	Line Item	December 31, 2017	January 1, 2017
Foreign exchange contracts	Other non-operating expenses, net	0.3	(2.1)

NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has not changed the valuation techniques used in measuring the fair value of any financial assets and liabilities during the year. The Company's derivative portfolio contains Level 2 instruments. See Note 11 - Derivatives for additional detail. The fair value of derivative instruments as of December 31, 2017 and September 30, 2017 are as follows:

	December 31, 2017		September 30, 2017	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Derivative Assets	$ 3.8	$ 3.8	$ 1.5	$ 1.5
Derivative Liabilities	$ 1.5	$ 1.5	$ 3.3	$ 3.3

The carrying value of cash and cash equivalents, receivables, accounts payable and short term debt approximate fair value based on the short-term nature of these assets and liabilities.

The fair value measurements of the Company's debt are valued at quoted input prices that are directly observable or indirectly observable through corroboration with observable market data (Level 2). The carrying value and fair value for debt as of December 31, 2017 and September 30, 2017 are as follows:

	December 31, 2017		September 30, 2017	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total debt - SBH	$ 3,979.3	$ 4,175.0	$ 3,772.0	$ 3,973.1
Total debt - SB/RH	$ 3,979.3	$ 4,175.0	$ 3,772.0	$ 3,973.1

NOTE 13 - EMPLOYEE BENEFIT PLANS

The net periodic benefit cost for the Company's pension and deferred compensation plans for the three month periods ended December 31, 2017, and January 1, 2017 are as follows:

	Non U.S. Plans	
(in millions)	December 31, 2017	January 1, 2017
Service cost	$ 0.5	$ 0.7
Interest cost	0.5	0.4
Expected return on assets	(0.4)	(0.3)
Recognized net actuarial loss	0.3	0.5
Net periodic benefit cost	$ 0.9	$ 1.3
Weighted average assumptions		
Discount rate	1.13 - 7.50%	1.00 - 8.68%
Expected return on plan assets	1.13 - 3.50%	1.00 - 3.50%
Rate of compensation increase	1.37 - 7.00%	2.25 - 7.00%

Company contributions to its pension and deferred compensation plans, including discretionary amounts, for the three months ended December 31, 2017 and January 1, 2017, are $0.4 million and $0.3 million, respectively.

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NOTE 14 - SHARE BASED COMPENSATION

The Company measures the compensation expense of its Restricted Stock Units ("RSUs") based on the fair value of the awards, as determined based on the market price of the Company's shares of common stock on the grant date and recognizes these costs on a straight-line basis over the requisite service period of the awards. Certain RSUs are performance-based awards that are dependent upon achieving specified financial metrics over a designated period of time. In addition to RSUs, the Company also provides for a portion of its annual management incentive compensation plan to be paid in common stock of the Company, in lieu of cash payment, and is considered a liability plan. Share based compensation expense is recognized as General and Administrative Expenses on the Condensed Consolidated Statements of Income. The following is a summary of share based compensation expense for the three month periods ended December 31, 2017 and January 1, 2017.

(in millions)	December 31, 2017	January 1, 2017
SBH	$ 3.8	$ 7.2
SB/RH	3.3	6.2

Share based compensation expense associated with the annual management incentive plan was $2.4 million for the three month period ended January 1, 2017. The remaining unrecognized pre-tax compensation cost for SBH and SB/RH at December 31, 2017 was $43.4 million and $42.4 million, respectively.

	SBH			SB/RH		
(in millions, except per share data)	Shares	Weighted Average Grant Date Fair Value	Fair Value at Grant Date	Shares	Weighted Average Grant Date Fair Value	Fair Value at Grant Date
Time-based grants	0.1	$ 113.29	$ 10.4	0.1	$ 114.74	$ 8.9
Performance-based grants						
Vesting in 12 to 24 months	0.1	110.17	12.8	0.1	110.17	12.8
Vesting in more than 24 months	0.1	110.17	12.8	0.1	110.17	$ 12.8
Total performance-based grants	0.2	$ 110.17	$ 25.6	0.2	$ 110.17	$ 25.6
Total grants	0.3	$ 111.06	$ 36.0	0.3	$ 111.33	$ 34.5

A summary of the activity in the Company's RSUs during the three month period ended December 31, 2017 is as follows:

	SBH			SB/RH		
(in millions, except per share data)	Shares	Weighted Average Grant Date Fair Value	Fair Value at Grant Date	Shares	Weighted Average Grant Date Fair Value	Fair Value at Grant Date
At September 30, 2017	0.8	$ 114.67	$ 87.2	0.7	$ 116.32	$ 82.4
Granted	0.3	111.06	36.0	0.3	111.33	34.5
Forfeited	—	123.78	(0.2)	—	123.78	(0.2)
Vested	(0.5)	113.24	(51.7)	(0.4)	114.30	(47.4)
At December 31, 2017	0.6	$ 113.82	$ 71.3	0.6	$ 115.12	$ 69.3

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NOTE 15 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The changes in the components of AOCI, net of tax, for the three month period ended December 31, 2017 was as follows:

(in millions)	Foreign Currency Translation	Hedging Activity	Employee Benefit Plans	Total
Accumulated other comprehensive loss, as of September 30, 2017	$ (131.2)	$ (26.0)	$ (52.4)	$ (209.6)
Other comprehensive loss before reclassification	(9.3)	(0.8)	(0.7)	(10.8)
Amounts reclassified from accumulated other comprehensive loss	—	2.6	0.8	3.4
Other comprehensive (loss) income	(9.3)	1.8	0.1	(7.4)
Deferred tax effect	7.2			