

Spectrum Brands Holdings, Inc.  
Form 10-Q  
August 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 June 30, 2018

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.
1-4219	Spectrum Brands Holdings, Inc.  (formerly HRG Group, Inc.)  (a Delaware corporation)  3001 Deming Way  Middleton, WI 53562	74-1339132

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(608) 275-3340

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
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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 1933 (§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 August 3, 2018, there were outstanding 53,408,731 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;
- the Company's ability to consummate the announced sale of our Global Battery and Lighting business on the expected terms and within the anticipated time period, or at all, which is dependent on the parties' ability to satisfy certain closing conditions, including receipt of regulatory approvals, and our ability to realize the expected benefits of such transaction and to successfully separate such business;
- the outcome of the Company's exploration of strategic options for its Personal Care and Small Appliances businesses, including uncertainty regarding consummation of any such transaction or transactions and the terms of such transaction or transactions, if any, and, if consummate, the Company's ability to realize the expected benefits of such transaction or transactions and potential disruption to our business or diverted management attention as a result of the exploration or negotiation of such transaction or transactions;
- the transition to a new chief executive officer and such officer's ability to determine and implement changes at the Company to improve the Company's business and financial performance; and
- the Company's ability to implement a successful restructuring of the leadership of the Global Auto Care business unit with the Pet, Home & Garden business unit to form a separate Consumer Products group, and to realize the synergies and business and financial benefits anticipated from such restructuring.

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. (formerly HRG, Group, 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. (formerly HRG, Group, Inc.)

## Condensed Consolidated Statements of Financial Position

As of June 30, 2018 and September 30, 2017

(unaudited)

(in millions)	June 30, 2018	September 30, 2017
Assets		
Cash and cash equivalents	\$ 814.6	\$ 270.1
Trade receivables, net	384.2	266.0
Other receivables	38.1	19.7
Inventories	546.7	496.3
Prepaid expenses and other current assets	69.1	54.8
Current assets of business held for sale	1,913.1	28,929.2
Total current assets	3,765.8	30,036.1
Property, plant and equipment, net	494.8	503.9
Deferred charges and other	418.0	43.7
Goodwill	2,269.4	2,277.1
Intangible assets, net	1,564.8	1,612.0
Noncurrent assets of business held for sale	—	1,376.9
Total assets	\$ 8,512.8	\$ 35,849.7
Liabilities and Shareholders' Equity		
Current portion of long-term debt	\$ 70.8	\$ 161.4
Accounts payable	348.3	373.1
Accrued wages and salaries	49.6	55.4
Accrued interest	75.7	78.0
Other current liabilities	130.6	125.8
Current liabilities of business held for sale	525.3	26,851.3
Total current liabilities	1,200.3	27,645.0
Long-term debt, net of current portion	5,189.4	5,543.7
Deferred income taxes	314.2	493.2
Other long-term liabilities	119.1	64.8
Noncurrent liabilities of business held for sale	—	156.1
Total liabilities	6,823.0	33,902.8



Commitments and contingencies (Note 17)

Shareholders' equity

Common Stock	2.1	2.0
Additional paid-in capital	1,270.4	1,372.9
Accumulated deficit	(78.3)	(925.9)
Accumulated other comprehensive (loss) income, net of tax	(141.8)	309.0
Total shareholders' equity	1,052.4	758.0
Noncontrolling interest	637.4	1,188.9
Total equity	1,689.8	1,946.9
Total liabilities and equity	\$ 8,512.8	\$ 35,849.7

See accompanying notes to the condensed consolidated financial statements

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## SPECTRUM BRANDS HOLDINGS, INC. (formerly HRG, Group, Inc.)

## Condensed Consolidated Statements of Income

For the three and nine month periods ended June 30, 2018 and 2017

(unaudited)

(in millions, except per share)	Three Month Periods Ended		Nine Month Periods Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net sales	\$ 945.5	\$ 862.9	\$ 2,358.1	\$ 2,221.6
Investment income	—	0.1	—	1.1
Revenue	945.5	863.0	2,358.1	2,222.7
Cost of goods sold	586.0	531.5	1,484.5	1,339.2
Restructuring and related charges	4.9	11.2	9.9	16.4
Gross profit	354.6	320.3	863.7	867.1
Selling	123.9	127.9	363.8	353.9
General and administrative	74.7	69.3	226.9	228.6
Research and development	6.9	7.2	21.1	20.9
Acquisition and integration related charges	2.3	5.2	12.0	11.6
Restructuring and related charges	20.5	10.0	59.1	14.9
Total operating expenses	228.3	219.6	682.9	629.9
Operating income	126.3	100.7	180.8	237.2
Interest expense	63.5	76.1	206.6	232.4
Other non-operating (income) expense, net	(2.3)	1.3	(4.6)	1.7
Income (loss) from continuing operations before income taxes	65.1	23.3	(21.2)	3.1
Income tax (benefit) expense	(337.8)	19.5	(464.9)	49.1
Net income (loss) from continuing operations	402.9	3.8	443.7	(46.0)
Income from discontinued operations – HRG Insurance Operations, net of tax	5.9	7.7	465.9	195.4
(Loss) income from discontinued operations - GBA, net of tax	(9.5)	28.3	32.0	99.8
Net income	399.3	39.8	941.6	249.2
Net income attributable to non-controlling interest	22.0	37.7	93.9	117.0
Net income attributable to controlling interest	\$ 377.3	\$ 2.1	\$ 847.7	\$ 132.2
Amounts attributable to controlling interest				
Net income (loss) from continuing operations attributable to controlling interest	\$ 377.4	\$ (16.6)	\$ 368.1	\$ (88.6)
Net (loss) income from discontinued operations attributable to controlling interest	(0.1)	18.7	479.6	220.8
Net income attributable to controlling interest	\$ 377.3	\$ 2.1	\$ 847.7	\$ 132.2
Earnings Per Share				
Basic earnings per share from continuing operations	\$ 11.52	\$ (0.51)	\$ 11.31	\$ (2.75)

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Basic earnings per share from discontinued operations	—	0.57	14.74	6.85
Basic earnings per share	\$ 11.52	\$ 0.06	\$ 26.05	\$ 4.10
Diluted earnings per share from continuing operations	\$ 11.51	\$ (0.51)	\$ 11.26	\$ (2.75)
Diluted earnings per share from discontinued operations	—	0.57	14.67	6.85
Diluted earnings per share	\$ 11.51	\$ 0.06	\$ 25.93	\$ 4.10
Weighted Average Shares Outstanding				
Basic	32.7	32.3	32.5	32.2
Diluted	32.8	32.3	32.7	32.2

See accompanying notes to the condensed consolidated financial statements

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SPECTRUM BRANDS HOLDINGS, INC. (formerly HRG, Group, Inc.)

Condensed Consolidated Statements of Comprehensive Income

For the three and nine month periods ended June 30, 2018 and June 30, 2017

(unaudited)

(in millions)	Three Month		Nine Month	
	Periods Ended	Periods Ended	Periods Ended	Periods Ended
	June 30,	June 30,	June 30,	June 30,
	2018	2017	2018	2017
Net income	\$ 399.3	\$ 39.8	\$ 941.6	\$ 249.2
Other comprehensive income (loss)				
Foreign currency translation (loss) gain	(61.5)	31.9	(43.2)	4.0
Deferred tax effect	2.7	(1.8)	6.6	1.7
Deferred tax valuation allowance	(0.3)	0.2	(0.3)	0.2
Net unrealized gain on foreign currency translation	(59.1)	30.3	(36.9)	5.9
Unrealized gain (loss) on derivative instruments				
Unrealized gain (loss) on hedging activity before reclassification	40.6	(44.3)	21.4	(11.1)
Net reclassification for loss (gain) to income from continuing operations	0.1	(0.3)	(0.3)	(0.6)
Net reclassification for loss (gain) to income from discontinued operations	1.2	(2.0)	7.3	(10.6)
Unrealized gain (loss) on hedging instruments after reclassification	41.9	(46.6)	28.4	(22.3)
Deferred tax effect	(11.5)	16.4	(7.8)	6.6
Net unrealized gain (loss) on hedging derivative instruments	30.4	(30.2)	20.6	(15.7)
Defined benefit pension gain (loss)				
Defined benefit pension gain (loss) before reclassification	2.8	(5.4)	0.6	(3.0)
Net reclassification for loss to income from continuing operations	0.3	0.6	0.8	1.7
Net reclassification for loss to income from discontinued operations	0.5	0.8	1.6	2.3
Defined benefit pension gain (loss) after reclassification	3.6	(4.0)	3.0	1.0
Deferred tax effect	(0.7)	0.8	(0.5)	(0.3)
Net defined benefit pension gain (loss)	2.9	(3.2)	2.5	0.7
Unrealized investment gain				
Unrealized investment gain before reclassification	—	358.3	26.0	5.8
Net reclassification for loss (gain) to income from discontinued operations	—	26.9	(6.3)	23.0
Unrealized gain on investments after reclassification	—	385.2	19.7	28.8
Adjustments to intangible assets	—	(113.6)	(0.9)	11.6
Deferred tax effect	—	(94.4)	(6.7)	(14.3)
Net unrealized gain on investments	—	177.2	12.1	26.1
Deconsolidation of HRG insurance operations	—	—	(445.9)	—
Net change to derive comprehensive (loss) income for the period	(25.8)	174.1	(447.6)	17.0
Comprehensive income	373.5	213.9	494.0	266.2

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Comprehensive (loss) income attributable to non-controlling interest	(10.1)	71.2	(2.5)	118.7
Comprehensive income attributable to controlling interest	\$ 383.6	\$ 142.7	\$ 496.5	\$ 147.5

See accompanying notes to the condensed consolidated financial statements

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SPECTRUM BRANDS HOLDINGS, INC. (formerly HRG, Group, Inc.)

Condensed Consolidated Statements of Cash Flows

For the nine month periods ended June 30, 2018 and June 30, 2017

(unaudited)

(in millions)	Nine Month Periods Ended	
	June 30, 2018	June 30, 2017
Cash flows from operating activities		
Net income	\$ 941.6	\$ 249.2
Income from discontinued operations, net of tax	497.9	295.2
Net income (loss) from continuing operations	443.7	(46.0)
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	99.4	94.3
Share based compensation	6.4	28.5
Amortization of debt issuance costs and debt discount	16.3	13.2
Write-off of unamortized discount and debt issuance costs	(0.6)	2.5
Purchase accounting inventory adjustment	0.8	0.8
Pet safety recall inventory write-off	3.6	13.0
Dividends from subsidiaries classified as discontinued operations	3.1	9.3
Deferred tax (benefit) expense	(497.9)	12.1
Net changes in operating assets and liabilities	(223.5)	(196.7)
Net cash used by operating activities from continuing operations	(148.7)	(69.0)
Net cash provided by operating activities from discontinued operations	92.3	299.2
Net cash (used) provided by operating activities	(56.4)	230.2
Cash flows from investing activities		
Purchases of property, plant and equipment	(49.2)	(51.1)
Proceeds from sales of property, plant and equipment	2.8	3.6
Business acquisitions, net of cash acquired	—	(304.7)
Proceeds from sale of insurance operations	1,546.8	—
Net asset-based loan repayments	—	29.8
Other investing activities, net	(0.4)	(1.2)
Net cash provided (used) by investing activities from continuing operations	1,500.0	(323.6)
Net cash used by investing activities from discontinued operations	(201.8)	(991.4)
Net cash provided (used) by investing activities	1,298.2	(1,315.0)
Cash flows from financing activities		
Proceeds from issuance of debt	555.3	606.9
Payment of debt	(1,007.6)	(253.9)
Payment of debt issuance costs	(0.4)	(7.0)

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Purchase of subsidiary stock, net	(288.0)	(165.9)
Purchase of non-controlling interest	—	(12.6)
Dividend paid by subsidiary to non-controlling interest	(28.4)	(30.3)
Share based award tax withholding payments, net of proceeds upon vesting	(24.3)	(40.7)
Other financing activities, net	20.7	5.5
Net cash (used) provided by financing activities from continuing operations	(772.7)	102.0
Net cash provided by financing activities from discontinued operations	116.2	711.1
Net cash (used) provided by financing activities	(656.5)	813.1
Effect of exchange rate changes on cash and cash equivalents	(3.1)	(1.5)
Net change in cash and cash equivalents	582.2	(273.2)
Net change in cash and cash equivalents in discontinued operations	37.7	(74.2)
Net change in cash and cash equivalents in continuing operations	544.5	(199.0)
Cash and cash equivalents, beginning of period	270.1	465.2
Cash and cash equivalents, end of period	\$ 814.6	\$ 266.2
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 234.7	\$ 207.2
Cash paid for taxes	\$ 32.7	\$ 28.7
Non cash investing activities		
Acquisition of property, plant and equipment through capital leases	\$ 5.3	\$ 133.7

See accompanying notes to the condensed consolidated financial statements

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## SB/RH HOLDINGS, LLC

## Condensed Consolidated Statements of Financial Position

As of July 1, 2018 and September 30, 2017

(unaudited)

(in millions)	July 1, 2018	September 30, 2017
Assets		
Cash and cash equivalents	\$ 146.9	\$ 168.2
Trade receivables, net	384.2	266.0
Other receivables	57.7	18.7
Inventories	546.7	496.3
Prepaid expenses and other current assets	68.1	54.2
Current assets of business held for sale	1,913.1	603.0
Total current assets	3,116.7	1,606.4
Property, plant and equipment, net	494.2	503.1
Deferred charges and other	43.7	28.4
Goodwill	2,269.4	2,277.1
Intangible assets, net	1,564.8	1,612.0
Noncurrent assets of business held for sale	—	1,376.9
Total assets	\$ 7,488.8	\$ 7,403.9
Liabilities and Shareholder's Equity		
Current portion of long-term debt	\$ 20.8	\$ 19.4
Accounts payable	348.0	371.6
Accrued wages and salaries	41.2	49.9
Accrued interest	43.3	48.5
Other current liabilities	123.9	118.9
Current liabilities of business held for sale	525.3	500.6
Total current liabilities	1,102.5	1,108.9
Long-term debt, net of current portion	4,253.5	3,752.3
Deferred income taxes	315.1	493.2
Other long-term liabilities	113.2	58.0
Noncurrent liabilities of business held for sale	—	156.1
Total liabilities	5,784.3	5,568.5
Commitments and contingencies (Note 17)		
Shareholder's equity		
Other capital	2,071.4	2,079.0
Accumulated deficit	(153.3)	(42.8)
Accumulated other comprehensive loss, net of tax	(223.5)	(209.6)
Total shareholder's equity	1,694.6	1,826.6
Noncontrolling interest	9.9	8.8
Total equity	1,704.5	1,835.4



Total liabilities and equity	\$ 7,488.8	\$ 7,403.9
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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 and nine month periods ended July 1, 2018 and July 2, 2017

(unaudited)

(in millions)	Three Month Periods Ended		Nine Month Periods Ended	
	July 1, 2018	July 2, 2017	July 1, 2018	July 2, 2017
Net sales	\$ 945.5	\$ 862.9	\$ 2,358.1	\$ 2,221.6
Cost of goods sold	586.0	531.5	1,484.5	1,339.2
Restructuring and related charges	4.9	11.2	9.9	16.4
Gross profit	354.6	320.2	863.7	866.0
Selling	123.9	127.9	363.8	353.9
General and administrative	66.6	57.8	180.6	181.7
Research and development	6.9	7.2	21.1	20.9
Acquisition and integration related charges	2.3	5.2	12.0	11.6
Restructuring and related charges	20.5	10.0	59.1	14.9
Total operating expenses	220.2	208.1	636.6	583.0
Operating income	134.4	112.1	227.1	283.0
Interest expense	43.6	39.8	124.2	122.0
Other non-operating expense, net	0.7	1.4	3.5	2.3
Income from continuing operations before income taxes	90.1	70.9	99.4	158.7
Income tax (benefit) expense	20.5	19.8	(111.0)	53.3
Net income from continuing operations	69.6	51.1	210.4	105.4
(Loss) income from discontinued operations, net of tax	(9.5)	28.3	32.0	99.8
Net income	60.1	79.4	242.4	205.2
Net income attributable to non-controlling interest	0.2	1.7	1.0	1.5
Net income attributable to controlling interest	\$ 59.9	\$ 77.7	\$ 241.4	\$ 203.7
Amounts attributable to controlling interest				
Net income from continuing operations attributable to controlling interest	\$ 69.5	\$ 51.1	\$ 209.5	\$ 105.4
Net (loss) income from discontinued operations attributable to controlling interest	(9.6)	26.6	31.9	98.3
Net income attributable to controlling interest	\$ 59.9	\$ 77.7	\$ 241.4	\$ 203.7

See accompanying notes to the condensed consolidated financial statements



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## SB/RH HOLDINGS, LLC

## Condensed Consolidated Statements of Comprehensive Income

For the three and nine month periods ended July 1, 2018 and July 2, 2017

(unaudited)

(in millions)	Three Month		Nine Month	
	Periods Ended July 1, 2018	July 2, 2017	Periods Ended July 1, 2018	July 2, 2017
Net income	\$ 60.1	\$ 79.4	\$ 242.4	\$ 205.2
Other comprehensive income (loss)				
Foreign currency translation (loss) gain	(61.5)	31.9	(43.2)	4.0
Deferred tax effect	2.7	(1.8)	6.6	1.7
Deferred tax valuation allowance	(0.3)	0.2	(0.3)	0.2
Net unrealized (loss) gain on foreign currency translation	(59.1)	30.3	(36.9)	5.9
Unrealized gain (loss) on derivative instruments				
Unrealized gain (loss) on hedging activity before reclassification	40.6	(44.3)	21.4	(11.1)
Net reclassification for loss (gain) to income from continuing operations	0.1	(0.3)	(0.3)	(0.6)
Net reclassification for loss (gain) to income from discontinued operations	1.2	(2.0)	7.3	(10.6)
Unrealized gain (loss) on hedging instruments after reclassification	41.9	(46.6)	28.4	(22.3)
Deferred tax effect	(11.5)	16.4	(7.8)	6.6
Net unrealized gain (loss) on hedging derivative instruments	30.4	(30.2)	20.6	(15.7)
Defined benefit pension gain (loss)				
Defined benefit pension gain (loss) before reclassification	2.8	(4.5)	0.6	(3.0)
Net reclassification for loss to income from continuing operations	0.3	0.6	0.8	1.7
Net reclassification for loss to income from discontinued operations	0.5	0.8	1.6	2.3
Defined benefit pension gain (loss) after reclassification	3.6	(3.1)	3.0	1.0
Deferred tax effect	(0.7)	0.8	(0.5)	(0.3)
Net defined benefit pension gain (loss)	2.9	(2.3)	2.5	0.7
Net change to derive comprehensive loss for the period	(25.8)	(2.2)	(13.8)	(9.1)
Comprehensive income	34.3	77.2	228.6	196.1
Comprehensive loss attributable to non-controlling interest	(0.6)	(0.2)	(0.1)	(0.4)
Comprehensive income attributable to controlling interest	\$ 34.9	\$ 77.4	\$ 228.7	\$ 196.5

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 nine month periods ended July 1, 2018 and July 2, 2017

(in millions, unaudited)

(in millions)	Nine Month Periods Ended	
	July 1, 2018	July 2, 2017
Cash flows from operating activities		
Net income	\$ 242.4	\$ 205.2
Income from discontinued operations, net of tax	32.0	99.8
Income from continuing operations	210.4	105.4
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	99.3	94.1
Share based compensation	4.0	21.6
Amortization of debt issuance costs	6.0	5.4
Write-off of unamortized discount and debt issuance costs	—	2.5
Purchase accounting inventory adjustment	0.8	0.8
Non-cash debt accretion	0.7	0.6
Pet safety recall inventory write-off	3.6	13.0
Deferred tax (benefit) expense	(144.0)	16.7
Net changes in operating assets and liabilities	(273.3)	(232.9)
Net cash (used) provided by operating activities from continuing operations	(92.5)	27.2
Net cash (used) provided by operating activities from discontinued operations	(5.0)	117.3
Net cash (used) provided by operating activities	(97.5)	144.5
Cash flows from investing activities		
Purchases of property, plant and equipment	(49.2)	(51.1)
Proceeds from sales of property, plant and equipment	2.8	3.5
Business acquisitions, net cash acquired	—	(304.7)
Other investing activities	(0.4)	(1.1)
Net cash used by investing activities from continuing operations	(46.8)	(353.4)
Net cash used by investing activities from discontinued operations	(27.0)	(26.3)
Net cash used by investing activities	(73.8)	(379.7)
Cash flows from financing activities		
Proceeds from issuance of debt	555.3	556.9
Payment of debt	(51.0)	(225.0)
Payment of debt issuance costs	(0.4)	(5.9)
Purchase of non-controlling interest	—	(12.6)
Payment of cash dividends to parent	(351.8)	(240.1)
Net cash provided by financing activities from continuing operations	152.1	73.3
Net cash provided by financing activities from discontinued operations	1.0	2.4

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Net cash provided by financing activities	153.1	75.7
Effect of exchange rate changes on cash and cash equivalents	(3.1)	(1.5)
Net change in cash and cash equivalents	(21.3)	(161.0)
Cash and cash equivalents, beginning of period	168.2	270.8
Cash and cash equivalents, end of period	\$ 146.9	\$ 109.8
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 164.2	\$ 138.1
Cash paid for taxes	\$ 32.7	\$