Spectrum Brands Holdings, Inc.
Form 10-Q
February 01, 2017
Table of Contents

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 January 1, 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

As of January 30, 2017, there were outstanding 58,822,651 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).

Table of Contents

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 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 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, or a significant reduction in, 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 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 our products, including the potential for environmental liabilities, product liability claims, litigation and other claims;
- the impact of pending or threatened litigation;
- changes in accounting policies applicable to our business;
- government regulations;
- the seasonal nature of sales of certain of our products;
- the effects of climate change and unusual weather activity; and
- the effects of political or economic conditions, terrorist attacks, acts of war or other unrest in international markets.

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.

Table of Contents

SPECTRUM BRANDS HOLDINGS, INC.

SB/RH HOLDINGS, LLC

TABLE OF CONTENTS

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.

1

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SPECTRUM BRANDS HOLDINGS, INC.

Condensed Consolidated Statements of Financial Position

January 1, 2017 and September 30, 2016

(in millions, unaudited)

	January 1, 2017	September 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 143.3	$ 275.3
Trade receivables, net	489.2	482.6
Other receivables	57.0	55.6
Inventories	779.7	740.6
Prepaid expenses and other current assets	80.5	78.8
Total current assets	1,549.7	1,632.9
Property, plant and equipment, net	568.2	542.1
Deferred charges and other	44.2	43.2
Goodwill	2,464.5	2,478.4
Intangible assets, net	2,327.9	2,372.5
Total assets	$ 6,954.5	$ 7,069.1
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 42.5	$ 164.0
Accounts payable	532.4	580.1
Accrued wages and salaries	65.1	122.9
Accrued interest	41.2	39.3
Other current liabilities	186.7	189.3
Total current liabilities	867.9	1,095.6
Long-term debt, net of current portion	3,613.7	3,456.2
Deferred income taxes	563.1	532.7
Other long-term liabilities	124.4	140.6
Total liabilities	5,169.1	5,225.1

Commitments and contingencies		
Shareholders' equity:		
Common Stock	0.6	0.6
Additional paid-in capital	2,088.7	2,073.6
Accumulated earnings	106.1	63.6
Accumulated other comprehensive loss, net of tax	(247.7)	(229.4)
Treasury stock, at cost	(205.9)	(108.3)
Total shareholders' equity	1,741.8	1,800.1
Noncontrolling interest	43.6	43.9
Total equity	1,785.4	1,844.0
Total liabilities and equity	$ 6,954.5	$ 7,069.1

See accompanying notes to the condensed consolidated financial statements

2

Table of Contents

SPECTRUM BRANDS HOLDINGS, INC.

Condensed Consolidated Statements of Income

For the three month periods ended January 1, 2017 and January 3, 2016

(in millions, except per share figures, unaudited)

	January 1, 2017	January 3, 2016
Net sales	$ 1,211.8	$ 1,218.8
Cost of goods sold	760.7	778.0
Restructuring and related charges	1.1	0.1
Gross profit	450.0	440.7
Selling	189.8	187.1
General and administrative	88.6	86.3
Research and development	14.4	13.8
Acquisition and integration related charges	4.1	9.9
Restructuring and related charges	2.1	1.1
Total operating expenses	299.0	298.2
Operating income	151.0	142.5
Interest expense	55.8	58.4
Other non-operating (income) expense, net	(1.1)	3.5
Income from operations before income taxes	96.3	80.6
Income tax expense	31.1	6.9
Net income	65.2	73.7
Net income attributable to non-controlling interest	—	0.1
Net income attributable to controlling interest	$ 65.2	$ 73.6
Earnings Per Share		
Basic earnings per share	$ 1.10	$ 1.24
Diluted earnings per share	1.10	1.24
Dividends per share	0.38	0.33
Weighted Average Shares Outstanding		
Basic	59.3	59.2
Diluted	59.5	59.2

See accompanying notes to the condensed consolidated financial statements

SPECTRUM BRANDS HOLDINGS, INC.

Condensed Consolidated Statements of Comprehensive Income

For the three month periods ended January 1, 2017 and January 3, 2016

(in millions, unaudited)

	January 1, 2017	January 3, 2016
Net income	$ 65.2	$ 73.7
Other comprehensive (loss) income, net of tax:		
Foreign currency translation loss, net tax of $3.9 and $0.0, respectively	(46.1)	(20.5)
Unrealized gain on hedging activity, net tax of $(14.2) and $(0.7), respectively	24.2	3.7
Defined benefit pension gain, net tax of $(1.2) and $(0.3), respectively	3.3	1.1
Other comprehensive loss, net of tax	(18.6)	(15.7)
Comprehensive income	46.6	58.0
Comprehensive loss attributable to non-controlling interest	(0.3)	(0.1)
Comprehensive income attributable to controlling interest	$ 46.9	$ 58.1

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 January 1, 2017 and January 3, 2016

(in millions, unaudited)

	January 1, 2017		January 3, 2016	
Cash flows from operating activities				
Net income	$	65.2	$	73.7
Adjustments to reconcile net income to net cash provided by operating activities:				
Amortization of intangible assets		23.6		23.6
Depreciation		22.4		23.0
Share based compensation		8.8		10.1
Amortization of debt issuance costs		1.8		2.1
Write-off of debt issuance costs		1.9		—
Non-cash debt accretion		0.2		0.3
Deferred tax expense (benefit)		19.6		(9.7)
Net changes in operating assets and liabilities		(137.7)		(346.6)
Net cash provided (used) by operating activities		5.8		(223.5)
Cash flows from investing activities				
Purchases of property, plant and equipment		(28.0)		(17.4)
Proceeds from sales of property, plant and equipment		0.1		0.1
Other investing activities		(0.8)		—

Net cash used by investing activities		(28.7)		(17.3)
Cash flows from financing activities				
Proceeds from issuance of debt		177.1		230.0
Payment of debt		(135.9)		(5.9)
Payment of debt issuance costs		(0.5)		(1.1)
Payment of cash dividends		(22.6)		(19.5)
Treasury stock purchases		(97.6)		(40.2)
Share based tax withholding payments, net of proceeds upon vesting		(23.2)		(5.3)
Net cash (used) provided by financing activities		(102.7)		158.0
Effect of exchange rate changes on cash and cash equivalents		(6.4)		(3.1)
Net decrease in cash and cash equivalents		(132.0)		(85.9)
Cash and cash equivalents, beginning of period		275.3		247.9
Cash and cash equivalents, end of period	$	143.3	$	162.0
Supplemental disclosure of cash flow information				
Cash paid for interest	$	44.5	$	61.6
Cash paid for taxes	$	10.4	$	10.0
Non cash investing activities				
Acquisition of property, plant and equipment through capital leases	$	31.1	$	8.4
Non cash financing activities				
Issuance of shares through stock compensation plan	$	52.2	$	36.0

See accompanying notes to the condensed consolidated financial statements

Table of Contents

SB/RH HOLDINGS, LLC

Condensed Consolidated Statements of Financial Position

January 1, 2017 and September 30, 2016

(in millions, unaudited)

	January 1, 2017	September 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 143.2	$ 270.8
Trade receivables, net	489.2	482.6
Other receivables	60.6	55.6
Inventories	779.7	740.6
Prepaid expenses and other current assets	80.5	78.8
Total current assets	1,553.2	1,628.4
Property, plant and equipment, net	568.2	542.1
Deferred charges and other	31.9	32.1
Goodwill	2,464.5	2,478.4
Intangible assets, net	2,327.9	2,372.5
Total assets	$ 6,945.7	$ 7,053.5
Liabilities and Shareholder's Equity		
Current liabilities:		
Current portion of long-term debt	$ 74.3	$ 164.0
Accounts payable	532.4	580.1
Accrued wages and salaries	65.1	122.9
Accrued interest	41.2	39.3
Other current liabilities	186.1	188.3
Total current liabilities	899.1	1,094.6
Long-term debt, net of current portion	3,613.7	3,456.2
Deferred income taxes	563.1	532.7
Other long-term liabilities	124.4	140.6
Total liabilities	5,200.3	5,224.1
Commitments and contingencies		
Shareholder's equity:		
Other capital	2,018.2	2,000.9
Accumulated (deficit) earnings	(74.6)	8.1
Accumulated other comprehensive loss, net of tax	(247.7)	(229.4)
Total shareholder's equity	1,695.9	1,779.6
Noncontrolling interest	49.5	49.8
Total equity	1,745.4	1,829.4
Total liabilities and equity	$ 6,945.7	$ 7,053.5

See accompanying notes to the condensed consolidated financial statements

Table of Contents

SB/RH HOLDINGS, LLC

Condensed Consolidated Statements of Income

For the three month periods ended January 1, 2017 and January 3, 2016

(in millions, unaudited)

	January 1, 2017	January 3, 2016
Net sales	$ 1,211.8	$ 1,218.8
Cost of goods sold	760.7	778.0
Restructuring and related charges	1.1	0.1
Gross profit	450.0	440.7
Selling	189.8	187.1
General and administrative	87.4	84.5
Research and development	14.4	13.8
Acquisition and integration related charges	4.1	9.9
Restructuring and related charges	2.1	1.1
Total operating expenses	297.8	296.4
Operating income	152.2	144.3
Interest expense	56.1	58.4
Other non-operating (income) expense, net	(1.1)	3.5
Income from operations before income taxes	97.2	82.4
Income tax expense	32.3	6.9
Net income	64.9	75.5
Net (loss) income attributable to non-controlling interest	(0.1)	0.1
Net income attributable to controlling interest	$ 65.0	$ 75.4

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 January 1, 2017 and January 3, 2016

(in millions, unaudited)

	January 1, 2017	January 3, 2016
Net income	$ 64.9	$ 75.5
Other comprehensive (loss) income, net of tax:		
Foreign currency translation loss, net tax of $3.9 and $0.0, respectively	(46.1)	(20.5)
Unrealized gain on hedging activity, net tax of $(14.2) and $(0.7), respectively	24.2	3.7
Defined benefit pension gain, net tax of $(1.2) and $(0.3), respectively	3.3	1.1
Other comprehensive loss, net of tax	(18.6)	(15.7)
Comprehensive income	46.3	59.8
Comprehensive loss attributable to non-controlling interest	(0.3)	(0.1)
Comprehensive income attributable to controlling interest	$ 46.6	$ 59.9

See accompanying notes to the condensed consolidated financial statements

6

Table of Contents

SB/RH HOLDINGS, LLC

Condensed Consolidated Statements of Cash Flows

For the three month periods ended January 1, 2017 and January 3, 2016

(in millions, unaudited)

	January 1, 2017		January 3, 2016	
Cash flows from operating activities				
Net income	$	64.9	$	75.5
Adjustments to reconcile net income to net cash provided by operating activities:				
Amortization of intangible assets		23.6		23.6
Depreciation		22.4		23.0
Share based compensation		7.8		8.5
Amortization of debt issuance costs		1.8		2.1
Write-off of debt issuance costs		1.9		—
Non-cash debt accretion		0.2		0.3
Deferred tax expense (benefit)		20.8		(9.7)
Net changes in operating assets and liabilities		(160.8)		(361.5)
Net cash used by operating activities		(17.4)		(238.2)
Cash flows from investing activities				
Purchases of property, plant and equipment		(28.0)		(17.4)
Proceeds from sales of property, plant and equipment		0.1		0.1
Other investing activities		(0.8)		—
Net cash used by investing activities		(28.7)		(17.3)

Cash flows from financing activities				
Proceeds from issuance of debt		208.9		230.0
Payment of debt		(135.9)		(40.7)
Payment of debt issuance costs		(0.5)		(1.1)
Payment of cash dividends to parent		(147.6)		(29.5)
Net cash (used) provided by financing activities		(75.1)		158.7
Effect of exchange rate changes on cash and cash equivalents		(6.4)		(3.1)
Net decrease in cash and cash equivalents		(127.6)		(99.9)
Cash and cash equivalents, beginning of period		270.8		247.9
Cash and cash equivalents, end of period	$	143.2	$	148.0
Supplemental disclosure of cash flow information				
Cash paid for interest	$	44.5	$	61.6
Cash paid for taxes	$	10.4	$	10.0
Non cash investing activities				
Acquisition of property, plant and equipment through capital leases	$	31.1	$	8.4

See accompanying notes to the condensed consolidated financial statements

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

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, 2016.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606) Deferral of the Effective Date, which amends the previously issued ASU to provide for a one year deferral from the original effective date. As a result, the ASU will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2019, with early application available to us beginning in the first quarter of our fiscal year ending September 30, 2018. We are assessing the impact this pronouncement will have on the consolidated financial statements of the Company and have not determined the materiality or method of adoption.

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 are assessing the impact this pronouncement will have on the consolidated financial statements of the Company and have not determined the materiality or method of adoption.

NOTE 3 – ACQUISITION AND INTEGRATION COSTS

The following summarizes acquisition and integration related charges for the three month periods ended January 1, 2017 and January 3, 2016:

(in millions)	January 1, 2017	January 3, 2016
Armored AutoGroup	$ 1.7	$ 4.5
HHI Business	1.9	2.8
Other	0.5	2.6
Total acquisition and integration related charges	$ 4.1	$ 9.9

Table of Contents

NOTE 4 - RESTRUCTURING AND RELATED CHARGES

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 $20 million, of which $6.8 million has been incurred to date. The balance is anticipated to be incurred through September 30, 2017.

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 January 1, 2017 and January 3, 2016:

(in millions)	January 1, 2017	January 3, 2016
GAC business rationalization initiatives	$ 1.5	$ —
Global expense rationalization initiatives	—	1.1
HHI business rationalization initiatives	—	(0.7)
Other restructuring activities	1.7	0.8
Total restructuring and related charges	$ 3.2	$ 1.2
Reported as:		
Cost of goods sold	$ 1.1	$ 0.1
Operating expense	2.1	1.1

The following is a summary of restructuring and related charges for the three month periods ended January 1, 2017 and January 3, 2016 and cumulative costs for current restructuring initiatives as of January 1, 2017, by cost type:

Termination Other

(in millions)	Benefits	Costs	Total
For the three months ended January 1, 2017	1.8	1.4	3.2
For the three months ended January 3, 2016	1.0	0.2	1.2
Cumulative costs through January 1, 2017	2.1	6.4	8.5

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 January 1, 2017:

(in millions)	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2016	1.6	1.0	2.6
Provisions	1.8	1.4	3.2
Cash expenditures	(1.6)	(1.4)	(3.0)
Non-cash items	(0.1)	—	(0.1)
Accrual balance at January 1, 2017	$ 1.7	$ 1.0	$ 2.7

The following summarizes restructuring and related charges by segment for the three month periods ended January 1, 2017 and January 3, 2016, cumulative costs incurred through January 1, 2017, and future expected costs to be incurred by segment:

(in millions)	GBA	PET	HHI	GAC	Total
For the three months ended January 1, 2017	$ 0.4	$ 0.2	$ 1.1	$ 1.5	$ 3.2
For the three months ended January 3, 2016	0.3	0.8	0.1	—	1.2
Cumulative costs through January 1, 2017	0.4	0.2	1.1	6.8	8.5
Future costs to be incurred	0.9	0.1	—	13.2	14.2

Table of Contents

NOTE 5 - RECEIVABLES AND CONCENTRATION OF CREDIT RISK

The allowance for uncollectible receivables as of January 1, 2017 and September 30, 2016 was $48.0 million and $46.8 million, respectively. The Company has a broad range of customers including many large retail outlet chains, one of which accounts for a significant percentage of its sales volume. This customer represents approximately 13% and 15% of the Company's Trade Receivables at January 1, 2017 and September 30, 2016, respectively.

NOTE 6 - INVENTORIES

Inventories consist of the following:

(in millions)	January 1, 2017	September 30, 2016
Raw materials	$ 146.6	$ 127.5
Work-in-process	45.6	43.6
Finished goods	587.5	569.5
	$ 779.7	$ 740.6

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

(in millions)	January 1, 2017	September 30, 2016
Land, buildings and improvements	$ 194.2	$ 195.8
Machinery, equipment and other	551.9	550.6
Capitalized leases	158.2	130.0
Construction in progress	68.9	57.7
Property, plant and equipment	$ 973.2	$ 934.1
Accumulated depreciation	(405.0)	(392.0)
Property, plant and equipment, net	$ 568.2	$ 542.1

NOTE 8 - GOODWILL AND INTANGIBLE ASSETS

Goodwill, by segment, consists of the following:

(in millions)	GBA	HHI	PET	H&G	GAC	Total
As of September 30, 2016	345.1	702.8	299.8	196.5	934.2	2,478.4
Foreign currency impact	(5.0)	(3.6)	(4.6)	—	(0.7)	(13.9)
As of January 1, 2017	$ 340.1	$ 699.2	$ 295.2	$ 196.5	$ 933.5	$ 2,464.5

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

	January 1, 2017			September 30, 2016		
(in millions)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	$ 973.3	$ (313.2)	$ 660.1	$ 984.8	$ (302.9)	$ 681.9
Technology assets	237.8	(102.3)	135.5	237.2	(96.7)	140.5
Tradenames	165.7	(93.0)	72.7	165.7	(89.1)	76.6
Total	$ 1,376.8	$ (508.5)	$ 868.3	$ 1,387.7	$ (488.7)	$ 899.0

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	18.5 years
Technology assets	5 - 18 years	11.2 years
Tradenames	5 - 13 years	11.4 years

Table of Contents

Certain tradename intangible assets have an indefinite life and are not amortized. The balance of tradenames not subject to amortization was $1,459.6 million and $1,473.5 million as of January 1, 2017 and September 30, 2016, respectively. There was no impairment loss on indefinite-lived trade names for the three month periods ended January 1, 2017 and January 3, 2016.

Amortization expense from intangible assets for the three month periods ended January 1, 2017 and January 3, 2016 was $23.6 million. 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
2017	$ 91.9
2018	85.7
2019	85.4
2020	85.2
2021	81.9

NOTE 9 - DEBT

Debt consists of the following:

	SBH				SB/RH			
	January 1, 2017		September 30, 2016		January 1, 2017		September 30, 2016	
(in millions)	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Term Loan, variable rate, due June 23, 2022	$ 1,003.0	3.4 %	$ 1,005.5	3.6 %	$ 1,003.0	3.4 %	$ 1,005.5	3.6 %
CAD Term Loan, variable rate, due June 23, 2022	53.3	4.5 %	54.9	4.6 %	53.3	4.5 %	54.9	4.6 %
Euro Term Loan, variable rate, due June 23, 2022	58.8	3.5 %	63.0	3.5 %	58.8	3.5 %	63.0	3.5 %
4.00% Notes, due October 1, 2026	445.8	4.0 %	477.0	4.0 %	445.8	4.0 %	477.0	4.0 %
5.75% Notes, due July 15, 2025	1,000.0	5.8 %	1,000.0	5.8 %	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 %	250.0	6.1 %	250.0	6.1 %
6.375% Notes, due November 15, 2020	—	— %	129.7	6.4 %	—	— %	129.7	6.4 %

6.625% Notes, due November 15, 2022	570.0	6.6 %	570.0	6.6 %	570.0	6.6 %	570.0	6.6 %
Revolver Facility, variable rate, expiring June 23, 2020	165.5	5.6 %	—	— %	165.5	5.6 %	—	— %
Intercompany Loan with Parent Company	—	— %	—	— %	31.8	3.4 %	—	— %
Other notes and obligations	26.9	7.7 %	16.8	9.8 %	26.9	7.7 %	16.8	9.8 %
Obligations under capital leases	140.9	5.3 %	114.7	5.5 %	140.9	5.3 %	114.7	5.5 %
Total debt	3,714.2		3,681.6		3,746.0		3,681.6	
Unamortized discount on debt	(4.3)		(4.5)		(4.3)		(4.5)	
Debt issuance costs	(53.7)		(56.9)		(53.7)		(56.9)	
Less current portion	(42.5)		(164.0)		(74.3)		(164.0)	
Long-term debt, net of current portion	$ 3,613.7		$ 3,456.2		$ 3,613.7		$ 3,456.2	

During the three months period ended January 1, 2017, the Company amended the credit agreement under its Term Loans reducing the interest rate margins applicable to the USD Term Loans. 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), subject to a 0.75% floor plus margin of 2.50% per annum, or base rate with a 1.75% floor plus margin of 1.50% per annum, (ii) the CAD Term Loan is subject to either CDOR (Canadian Dollar Offered Rate), subject to a 0.75% floor plus 3.5% per annum, or base rate plus 2.5% per annum, (iii) the Euro Term Loan is subject to either EURIBOR (Euro Interbank Offered Rate), subject to a 0.75% floor plus 2.75% per annum, with no base rate option available and (iv) the Revolver Facility is subject to either adjusted LIBOR plus 2.75% per annum, or base rate plus 1.75% per annum. As a result of borrowings and payments under the Revolver Facility, at January 1, 2017, the Company had borrowing availability of $300.6 million, net outstanding letters of credit of $24.7 million and a $9.2 million amount allocated to a foreign subsidiary.

On October 20, 2016, the Company redeemed the remaining outstanding aggregate principal on the 6.375% Notes of $129.7 million with a make whole premium of $4.6 million charge to interest expense for the three month period ended January 1, 2017 in connection with the issuance of the €425 million aggregate principal amount 4.00% unsecured notes due 2026 (the “4.00% Notes”) and repurchase of the 6.375% Notes on September 20, 2016.

Table of Contents

NOTE 10 - 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 January 1, 2017 and September 30, 2016, 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 1.36% for a notional principal amount of $300.0 million through April 2017. The derivative net gain estimated to be reclassified from AOCI into earnings over the next 12 months is $0.3 million, net of tax. The Company's interest rate swap derivative financial instruments at January 1, 2017 and September 30, 2016 are as follows:

	January 1, 2017		September 30, 2016	
(in millions)	Notional Amount	Remaining Years	Notional Amount	Remaining Years
Interest rate swaps - fixed	$ 300.0	0.3	$ 300.0	0.5

Commodity Swaps. The Company is exposed to risk from fluctuating prices for raw materials, specifically zinc and 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 January 1, 2017, the Company had a series of zinc and brass swap contracts outstanding through December 2017. The derivative net gains estimated to be reclassified from AOCI into earnings over the next 12 months is $2.2 million, net of tax. The Company had the following commodity swap contracts outstanding as of January 1, 2017 and September 30, 2016.

	January 1, 2017		September 30, 2016	
(in millions, except notional)	Notional	Contract Value	Notional	Contract Value

Zinc swap contracts	5.1 Tons	$ 9.8	6.7 Tons	$ 12.8
Brass swap contracts	1.0 Tons	$ 3.8	1.0 Tons	$ 4.0

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, Pounds Sterling, Australian Dollars, 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 January 1, 2017, the Company had a series of foreign exchange derivative contracts outstanding through December 2017. The derivative net gains estimated to be reclassified from AOCI into earnings over the next 12 months is $7.6 million, net of tax. At January 1, 2017 and September 30, 2016, the Company had foreign exchange derivative contracts designated as cash flow hedges with a notional value of $259.9 million and $224.8 million, respectively.

Net Investment Hedge

On September 20, 2016, SBI issued €425 million aggregate principle amount of 4.00% Notes. See Note 9, “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 January 1, 2017, the hedge was fully effective and no ineffective portion was recognized in earnings.

Table of Contents

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 January 1, 2017, the Company had a series of forward exchange contracts outstanding through December 2017. At January 1, 2017 and September 30, 2016, the Company had $206.3 million and $131.4 million, respectively, of notional value of such foreign exchange derivative contracts outstanding.

Commodity Swaps. The Company periodically enters into commodity swap contracts to economically hedge the risk from fluctuating prices for raw materials, specifically the pass-through of market prices for silver used in manufacturing purchased watch batteries. The Company hedges a portion of the risk associated with these materials through the use of commodity swaps. The swap contracts are designated as economic hedges with the unrealized gain or loss recorded in earnings and as an asset or liability at each period end. The unrecognized changes in the fair value of the hedge contracts are adjusted through earnings when the realized gains or losses affect earnings upon settlement of the hedges. The swaps effectively fix the floating price on a specified quantity of silver through a specified date. At January 1, 2017, the Company had a series of commodity swaps outstanding through September 2017. The Company had the following commodity swaps outstanding as of January 1, 2017 and September 30, 2016:

	January 1, 2017		September 30, 2016	
(in millions, except notional)	Notional	Contract Value	Notional	Contract Value
Silver	20.0 troy oz.	$ 0.4	31.0 troy oz.	$ 0.6

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	January 1, 2017	September 30, 2016

Derivative Assets			
Commodity swaps - designated as hedge	Receivables—Other	$ 3.3	$ 2.9
Foreign exchange contracts - designated as hedge	Receivables—Other	10.1	$ 5.5
Foreign exchange contracts - designated as hedge	Deferred charges and other	0.1	0.1
Foreign exchange contracts - not designated as hedge	Receivables—Other	0.1	0.2
Total Derivative Assets		$ 13.6	$ 8.7
Derivative Liabilities			
Interest rate swaps - designated as hedge	Other current liabilities	$ 0.3	$ 0.7
Interest rate swaps - designated as hedge	Accrued interest	0.4	0.4
Commodity swaps - designated as hedge	Accounts payable	0.2	0.1
Foreign exchange contracts - designated as hedge	Accounts payable	0.1	1.7
Foreign exchange contracts - designated as hedge	Other long-term liabilities	0.1	0.1
Foreign exchange contracts - not designated as hedge	Accounts payable	0.3	0.2
Total Derivative Liabilities		$ 1.4	$ 3.2

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 January 1, 2017 and September 30, 2016.

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 January 1, 2017 and September 30, 2016, there was no cash collateral outstanding. In addition, as of January 1, 2017 and September 30, 2016, the Company had no posted standby letters of credit related to such liability positions. The cash collateral is included in Other Receivables in the Condensed Consolidated Statements of Financial Position.

Table of Contents

The following summarizes the impact of derivative instruments on the accompanying Condensed Consolidated Statements of Income for the three month periods ended January 1, 2017 and January 3, 2016, pretax:

For the three month period ended January 1, 2017 (in millions)	Effective Portion Gain (Loss) in OCI	Reclassified to Earnings 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	0.8	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	4.3	Cost of goods sold	—
Total	$ 43.2		$ 4.8		$ —

For the three month period ended January 3, 2016 (in millions)	Effective Portion Gain (Loss) in OCI	Reclassified to Earnings Line Item	Gain (Loss)	Ineffective portion Line Item	Gain (Loss)
Interest rate swaps	$ 0.3	Interest expense	$ (0.5)	Interest expense	$ —
Commodity swaps	(1.0)	Cost of goods sold	(1.4)	Cost of goods sold	—
Foreign exchange contracts	(0.1)	Net sales	—	Net sales	—
Foreign exchange contracts	5.4	Cost of goods sold	2.1	Cost of goods sold	—
Total	$ 4.6		$ 0.2		$ —

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 January 1, 2017 and January 3, 2016:

(in millions)	Line Item	January 1, 2017	January 3, 2016
Commodity swaps	Cost of goods sold	$ 0.1	$ —
Foreign exchange contracts	Other non-operating expenses, net	0.7	(2.1)
Total		$ 0.8	$ (2.1)

14

Table of Contents

NOTE 11 - 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 10, "Derivatives" for additional detail. The fair value of derivative instruments as of January 1, 2017 and September 30, 2016 are as follows:

	January 1, 2017		September 30, 2016	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Derivative Assets	$ 13.6	$ 13.6	$ 8.7	$ 8.7
Derivative Liabilities	$ 1.4	$ 1.4	$ 3.2	$ 3.2

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 January 1, 2017 and September 30, 2016 are as follows:

	January 1, 2017		September 30, 2016	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total debt - SBH	$ 3,656.2	$ 3,843.2	$ 3,620.2	$ 3,865.1
Total debt - SB/RH	$ 3,688.0	$ 3,875.0	$ 3,620.2	$ 3,865.1

NOTE 12 - EMPLOYEE BENEFIT PLANS

The net periodic benefit cost for the Company's pension and deferred compensation plans for the three month periods ended January 1, 2017, and January 3, 2016 are as follows:

	U.S. Plans		Non U.S. Plans	
(in millions)	January 1, 2017	January 3, 2016	January 1, 2017	January 3, 2016
Service cost	$ 0.1	$ 0.1	$ 0.9	$ 0.7
Interest cost	0.7	0.7	1.1	1.5
Expected return on assets	(1.1)	(1.1)	(1.0)	(1.2)
Recognized net actuarial loss	0.4	0.1	0.9	0.4
Net periodic benefit cost	$ 0.1	$ (0.2)	$ 1.9	$ 1.4
Weighted average assumptions				
Discount rate	3.50%	4.25%	1.00 - 13.50%	1.75 - 13.81%
Expected return on plan assets	7.00%	7.25%	2.25 - 7.00%	1.75 - 4.53%
Rate of compensation increase	N/A	N/A	1.00 - 3.70%	2.25 - 5.50%

Company contributions to its pension and deferred compensation plans, including discretionary amounts, for the three months ended January 1, 2017 and January 3, 2016, are $1.3 million and $3.6 million, respectively.

15

Table of Contents

NOTE 13 - SHARE BASED COMPENSATION

Share based compensation expense for SBH during the three month periods ended January 1, 2017 and January 3, 2016 was $8.8 million and $10.1 million respectively. The remaining unrecognized pre-tax compensation cost for SBH at January 1, 2017 was $60.8 million.

Share based compensation expense for SB/RH during the three month periods ended January 1, 2017 and January 3, 2016 was $7.8 million and $8.5 million respectively. The remaining unrecognized pre-tax compensation cost for SB/RH at January 1, 2017 was $58.9 million.

During the three month period ended January 1, 2017, SBH and SB/RH granted 0.7 million and 0.6 million Restricted Stock Units (“RSUs”) respectively. The total market value of the RSUs on the dates of the grants was $87.3 million and $85.8 million for SBH and SB/RH respectively. The fair value of RSUs is determined based on the market price of the Company’s shares of common stock on the grant date. A summary of the activity in the Company’s RSUs during the three month period ended January 1, 2017 is as follows:

	SBH			SB/RH		
		Weighted Average	Fair Value		Weighted Average	Fair Value

(in millions, except per share data)	Shares	Grant Date Fair Value	at Grant Date	Shares	Grant Date Fair Value	at Grant Date
At September 30, 2016	0.6	94.97	$ 54.8	0.5	96.92	$ 45.3
Granted	0.7	126.97	87.3	0.6	126.82	85.8
Forfeited	—	110.02	0.3	—	110.02	0.3
Vested	(0.5)	109.31	(52.2)	(0.4)	112.49	(46.0)
At January 1, 2017	0.8	114.21	$ 90.2	0.7	115.76	$ 85.4

NOTE 14 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The changes in the components of AOCI, net of tax, for the three month period ended January 1, 2017 was as follows:

v

(in millions)	Foreign Currency Translation	Hedging Activity	Employee Benefit Plans	Total
Accumulated other comprehensive (loss) income, as of September 30, 2016	$ (160.5)	$ 3.1	$ (72.0)	$ (229.4)
Other comprehensive (loss) income before reclassification	(50.0)	43.2	3.2	(3.6)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(4.8)	1.3	(3.5)
Other comprehensive (loss) income	(50.0)	38.4	4.5	(7.1)
Deferred tax effect	3.9	(14.2)	(1.3)	(11.6)
Deferred tax valuation allowance	—	—	0.1	0.1
Other comprehensive (loss) income, net of tax	(46.1)	24.2	3.3	(18.6)
Other comprehensive loss attributable to non-controlling interest	(0.3)	—	—	(0.3)
Other comprehensive (loss) income attributable to controlling interest	(45.8)	24.2	3.3	(18.3)
Accumulated other comprehensive (loss) income, as of January 1, 2017	$ (206.3)	$ 27.3	$ (68.7)	$ (247.7)

Amounts reclassified from AOCI associated with employee benefit plan costs and recognized on the Company's Condensed Consolidated Statements of Income for the three month periods ended January 1, 2017 and January 3, 2016 were as follows:

(in millions)	January 1, 2017	January 3, 2016
Cost of goods sold	$ 0.8	$ 0.3
Selling expenses	0.2	0.1
General and administrative expenses	0.3	0.2
Amounts reclassified from accumulated other comprehensive income	$ 1.3	$ 0.6

See Note 10 “Derivatives”, for amounts reclassified from AOCI from the Company’s derivative hedging activity.

Table of Contents

NOTE 15 - INCOME TAXES

SBH effective tax rate for the three month periods ended January 1, 2017 and January 3, 2016 was 32.3% and 8.6%, respectively. SB/RH effective tax rate for the three month periods ended January 1, 2017 and January 3, 2016 was 33.2% and 8.4%, respectively. The estimated annual effective tax rate applied to these periods differs from the U.S. federal statutory rate of 35% principally due to income earned outside the U.S. that is subject to statutory rates lower than 35% net of U.S. and non-U.S. taxes provided on income earned outside the U.S. that is not permanently reinvested. For the three month period ended January 3, 2016, the effective tax rate includes a $5.8 million reduction for non-recurring items related to the impact of tax law changes and changes in state deferred tax rates on the Company's net deferred tax liabilities, plus the impact from the release of valuation allowance on U.S. net deferred tax assets offsetting tax expense on U.S. pretax income.

NOTE 16 - SEGMENT INFORMATION

The Company identifies its segments based upon the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments. The Company manufactures, markets and/or distributes multiple product lines through various distribution networks, and in multiple geographic regions. The Company manages its business in five vertically integrated, product-focused reporting segments: (i) Global Batteries & Appliances, which consists of the Company's worldwide battery and lighting products, electric personal care and small appliances businesses; (ii) Hardware & Home Improvement, which consists of the Company's worldwide hardware, security and plumbing business; (iii) Global Pet Supplies, which consists of the Company's worldwide pet supplies business; (iv) Home and Garden, which consists of the Company's home and garden and insect control business and (v) Global Auto Care, which consists of the Company's automotive appearance and performance products. Global strategic initiatives and financial objectives for each reportable segment are determined at the corporate level. Each segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives, and has a general manager responsible for the sales and marketing initiatives and financial results for product lines within the segment.

Net sales relating to the segments for the three month periods ended January 1, 2017 and January 3, 2016 are as follows:

	SBH	SB/RH

Net sales to external customers (in millions)	January 1, 2017	January 3, 2016	January 1, 2017	January 3, 2016
Consumer batteries	$ 260.5	$ 252.6	$ 260.5	$ 252.6
Small appliances	186.4	189.9	186.4	189.9
Personal care	162.6	168.8	162.6	168.8
Global Batteries & Appliances	609.5	611.3	609.5	611.3
Hardware & Home Improvement	288.8	282.7	288.8	282.7
Global Pet Supplies	194.2	203.4	194.2	203.4
Home and Garden	49.8	47.7	49.8	47.7
Global Auto Care	69.5	73.7	69.5	73.7
Net sales	$ 1,211.8	$ 1,218.8	$ 1,211.8	$ 1,218.8

Table of Contents

During the third quarter of the year ended September 30, 2016, the Company changed its performance metric to Adjusted EBITDA to better reflect how the Chief Operating Decision Maker is currently evaluating the business and making operating decisions. All amounts for prior periods have been recast to reflect current presentation. EBITDA is calculated by excluding the Company’s income tax expense, interest expense, depreciation expense and amortization expense (from intangible assets) from net income. Adjusted EBITDA further excludes (1) share based compensation expense as it is a non-cash based compensation cost; (2) acquisition and integration costs that consist of transaction costs from acquisition transactions during the period, or subsequent integration related project costs directly associated with the acquired business; (3) restructuring and related costs, which consist of project costs associated with restructuring initiatives across the segments; (4) non-cash purchase accounting inventory adjustments recognized in earnings subsequent to an acquisition; (5) non-cash asset impairments or write-offs realized; (6) and other. During the three month period ended January 3, 2016, other adjustments consisted of costs associated with exiting a key executive, coupled with onboarding a key executive. Segment Adjusted EBITDA in relation to the Company’s reportable segments for the three month periods ended January 1, 2017 and January 3, 2016, is as follows:

	SBH		SB/RH	
Segment Adjusted EBITDA (in millions)	January 1, 2017	January 3, 2016	January 1, 2017	January 3, 2016
Global Batteries & Appliances	$ 109.0	$ 105.5	$ 109.0	$ 105.5
Hardware & Home Improvement	59.2	53.7	59.2	53.7
Global Pet Supplies	30.7	29.2	30.7	29.2
Home and Garden	5.7	7.1	5.7	7.1
Global Auto Care	19.8	19.2	19.8	19.2
Total Segment Adjusted EBITDA	224.4	214.7	224.4	214.7
Depreciation and amortization	46.0	46.6	46.0	46.6
Share-based compensation	8.8	10.1	7.8	8.5
Corporate expenses	10.2	7.6	10.0	7.4
Acquisition and integration related charges	4.1	9.9	4.1	9.9
Restructuring and related charges	3.2	1.2	3.2	1.2
Interest expense	55.8	58.4	56.1	58.4
Other	—	0.3	—	0.3
Income from operations before income taxes	$ 96.3	$ 80.6	$ 97.2	$ 82.4

NOTE 17 - EARNINGS PER SHARE - SBH

The reconciliation of the numerator and denominator of the basic and diluted earnings per share calculation and the anti-dilutive shares for the three month periods ended January 1, 2017 and January 3, 2016 are as follows:

(in millions, except per share amounts)	January 1, 2017	January 3, 2016
Numerator		
Net income attributable to controlling interest	$ 65.2	$ 73.6
Denominator		
Weighted average shares outstanding - basic	59.3	59.2
Dilutive shares	0.2	—
Weighted average shares outstanding - diluted	59.5	59.2
Earnings per share		
Basic earnings per share	$ 1.10	$ 1.24
Diluted earnings per share	$ 1.10	$ 1.24
Weighted average number of anti-dilutive shares excluded from denominator		
Restricted stock units	0.4	0.3

Table of Contents

NOTE 18 - GUARANTOR STATEMENTS – SB/RH

Spectrum Brands, Inc. (“SBI”) with SB/RH as a parent guarantor (collectively, the “Parent”), with SBI’s domestic subsidiaries as subsidiary guarantors, has issued the 6.625% Notes under the 2022 Indenture, the 6.125% Notes under the 2024 Indenture, the 5.75% Notes under the 2025 Indenture and the 4.00% Notes under the 2026 Indenture.

The following consolidating financial statements illustrate the components of the condensed consolidated financial statements of SB/RH. Investments in subsidiaries are accounted for using the equity method for purposes of illustrating the consolidating presentation. The elimination entries presented herein eliminate investments in subsidiaries and intercompany balances and transactions.

Statement of Financial Position As of January 1, 2017 (in millions)	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 6.4	$ 0.2	$ 136.6	$ —	$ 143.2
Trade receivables, net	172.9	65.4	250.9	—	489.2
Intercompany receivables	—	941.3	219.7	(1,161.0)	—
Other receivables	—	2.8	58.7	(0.9)	60.6
Inventories	366.8	154.6	275.4	(17.1)	779.7
Prepaid expenses and other	41.3	6.9	32.2	0.1	80.5
Total current assets	587.4	1,171.2	973.5	(1,178.9)	1,553.2
Property, plant and equipment, net	270.4	82.3	215.5	—	568.2
Long-term intercompany receivables	355.2	125.5	12.8	(493.5)	—
Deferred charges and other	183.1	1.0	41.7	(193.9)	31.9
Goodwill	912.1	1,154.5	397.9	—	2,464.5
Intangible assets, net	1,326.7	624.2	377.0	—	2,327.9
Investments in subsidiaries	3,514.7	1,270.7	(2.9)	(4,782.5)	—
Total assets	$ 7,149.6	$ 4,429.4	$ 2,015.5	$ (6,648.8)	$ 6,945.7
Liabilities and Shareholder's Equity					
Current liabilities:					
Current portion of long-term debt	$ 47.5	$ 1.3	$ 26.0	$ (0.5)	$ 74.3
Accounts payable	208.3	71.3	252.8	—	532.4
Intercompany accounts payable	1,175.4	—	—	(1,175.4)	—
Accrued wages and salaries	20.3	2.6	42.2	—	65.1
Accrued interest	41.2	—	—	—	41.2
Other current liabilities	80.8	11.5	94.7	(0.9)	186.1

Total current liabilities	1,573.5	86.7	415.7	(1,176.8)	899.1
Long-term debt, net of current portion	3,559.9	20.1	33.7	—	3,613.7
Long-term intercompany debt	11.7	345.8	121.0	(478.5)	—
Deferred income taxes	220.5	461.1	80.3	(198.8)	563.1
Other long-term liabilities	29.3	1.0	94.1	—	124.4
Total liabilities	5,394.9	914.7	744.8	(1,854.1)	5,200.3
Shareholder's equity:					
Other capital	2,077.8	140.0	(963.8)	764.2	2,018.2
Accumulated (deficit) earnings	(74.6)	3,623.2	2,426.7	(6,049.9)	(74.6)
Accumulated other comprehensive (loss) income	(248.5)	(248.5)	(241.7)	491.0	(247.7)
Total shareholder's equity	1,754.7	3,514.7	1,221.2	(4,794.7)	1,695.9
Non-controlling interest	—	—	49.5	—	49.5
Total equity	1,754.7	3,514.7	1,270.7	(4,794.7)	1,745.4
Total liabilities and equity	$ 7,149.6	$ 4,429.4	$ 2,015.5	$ (6,648.8)	$ 6,945.7

Table of Contents

Statement of Financial Position As of September 30, 2016 (in millions)	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 98.6	$ 3.1	$ 169.1	$ —	$ 270.8
Trade receivables, net	179.5	68.7	234.4	—	482.6
Intercompany receivables	—	909.1	233.4	(1,142.5)	—
Other receivables	—	5.5	56.3	(6.2)	55.6
Inventories	372.8	104.3	281.1	(17.6)	740.6
Prepaid expenses and other	42.8	4.4	32.1	(0.5)	78.8
Total current assets	693.7	1,095.1	1,006.4	(1,166.8)	1,628.4
Property, plant and equipment, net	241.1	77.6	223.4	—	542.1
Long-term intercompany receivables	365.4	187.3	13.7	(566.4)	—
Deferred charges and other	180.5	0.9	41.5	(190.8)	32.1
Goodwill	912.1	1,154.5	411.8	—	2,478.4
Intangible assets, net	1,341.5	628.5	402.5	—	2,372.5
Investments in subsidiaries	3,497.8	1,258.1	(2.9)	(4,753.0)	—
Total assets	$ 7,232.1	$ 4,402.0	$ 2,096.4	$ (6,677.0)	$ 7,053.5
Liabilities and Shareholder's Equity					
Current liabilities:					
Current portion of long-term debt	$ 143.6	$ 1.4	$ 19.9	$ (0.9)	$ 164.0
Accounts payable	257.5	58.4	264.2	—	580.1
Intercompany accounts payable	1,157.0	—	—	(1,157.0)	—
Accrued wages and salaries	63.9	6.6	52.4	—	122.9
Accrued interest	39.3	—	—	—	39.3
Other current liabilities	88.0	11.0	95.5	(6.2)	188.3
Total current liabilities	1,749.3	77.4	432.0	(1,164.1)	1,094.6
Long-term debt, net of current portion	3,402.5	20.5	33.2	—	3,456.2
Long-term intercompany debt	12.8	346.1	192.6	(551.5)	—
Deferred income taxes	189.0	459.2	80.3	(195.8)	532.7
Other long-term liabilities	39.5	1.0	100.1	—	140.6
Total liabilities	5,393.1	904.2	838.2	(1,911.4)	5,224.1
Shareholder's equity:					
Other capital	2,060.9	152.3	(954.0)	741.7	2,000.9
Accumulated (deficit) earnings	8.0	3,551.6	2,362.1	(5,913.6)	8.1
Accumulated other comprehensive (loss) income	(229.9)	(206.1)	(199.7)	406.3	(229.4)
Total shareholder's equity	1,839.0	3,497.8	1,208.4	(4,765.6)	1,779.6
Non-controlling interest	—	—	49.8	—	49.8
Total equity	1,839.0	3,497.8	1,258.2	(4,765.6)	1,829.4
Total liabilities and equity	$ 7,232.1	$ 4,402.0	$ 2,096.4	$ (6,677.0)	$ 7,053.5

Table of Contents

Statement of Income		Guarantor	Nonguarantor		
Three month period ended January 1, 2017 (in millions)	Parent	Subsidiaries	Subsidiaries	Eliminations	Consolidated
Net sales	$ 632.9	$ 192.7	$ 711.4	$ (325.2)	$ 1,211.8
Cost of goods sold	417.6	137.4	531.1	(325.4)	760.7
Restructuring and related charges	—	1.1	—	—	1.1
Gross profit	215.3	54.2	180.3	0.2	450.0
Selling	81.3	21.0	87.9	(0.4)	189.8
General and administrative	48.6	14.3	24.5	—	87.4
Research and development	9.1	1.7	3.6	—	14.4
Acquisition and integration related charges	2.8	0.1	1.2	—	4.1
Restructuring and related charges	0.6	0.3	1.2	—	2.1
Total operating expense	142.4	37.4	118.4	(0.4)	297.8
Operating income	72.9	16.8	61.9	0.6	152.2
Interest expense	49.5	4.1	2.5	—	56.1
Other non-operating (income) expense, net					