J M SMUCKER Co
Form 10-Q
February 26, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended January 31, 2019
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number: 1-5111

THE J. M. SMUCKER COMPANY
(Exact name of registrant as specified in its charter)

Ohio	34-0538550
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Strawberry Lane	
Orrville, Ohio	44667-0280
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code:
(330) 682-3000

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ý No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	ý	Accelerated filer	o
Non-accelerated filer	o	Smaller Reporting Company	o

Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

The Company had 113,746,566 common shares outstanding on February 19, 2019.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements.
THE J. M. SMUCKER COMPANY
CONDENSED STATEMENTS OF CONSOLIDATED INCOME
(Unaudited)

	Three Months Ended January 31,		Nine Months Ended January 31,	
Dollars in millions, except per share data	2019	2018	2019	2018
Net sales	$2,011.9	$1,903.3	$5,935.9	$5,575.8
Cost of products sold	1,238.1	1,174.8	3,712.6	3,430.2
Gross Profit	773.8	728.5	2,223.3	2,145.6
Selling, distribution, and administrative expenses	373.1	330.6	1,138.8	1,038.9
Amortization	59.7	51.6	179.9	154.7
Goodwill impairment charge	—	145.0	—	145.0
Other intangible assets impairment charges	107.2	31.9	107.2	31.9
Other special project costs [(A)]	18.8	5.6	51.9	42.4
Other operating expense (income) – net	(2.6)	(0.2)	(29.5)	1.4
Operating Income	217.6	164.0	775.0	731.3
Interest expense – net	(51.6)	(43.1)	(158.8)	(126.7)
Other income (expense) – net	(8.8)	(4.9)	(16.5)	(7.8)
Income Before Income Taxes	157.2	116.0	599.7	596.8
Income tax expense (benefit)	35.8	(715.3)	156.8	(555.9)
Net Income	$121.4	$831.3	$442.9	$1,152.7
Earnings per common share:				
Net Income	$1.07	$7.32	$3.89	$10.15
Net Income – Assuming Dilution	$1.07	$7.32	$3.89	$10.15
Dividends Declared per Common Share	$0.85	$0.78	$2.55	$2.34

(A) Other special project costs includes integration and restructuring costs. For more information, see Note 5: Integration and Restructuring Costs.

See notes to unaudited condensed consolidated financial statements.

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THE J. M. SMUCKER COMPANY
CONDENSED STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended January 31,		Nine Months Ended January 31,	
Dollars in millions	2019	2018	2019	2018
Net income	$121.4	$831.3	$442.9	$1,152.7
Other comprehensive income (loss):				
Foreign currency translation adjustments	1.6	21.9	(10.1)	43.8
Cash flow hedging derivative activity, net of tax	(37.0)	(0.5)	(28.8)	1.9
Pension and other postretirement benefit plans activity, net of tax	(0.5)	1.1	2.7	6.8
Available-for-sale securities activity, net of tax	(1.0)	0.1	(0.4)	(0.2)
Total Other Comprehensive Income (Loss)	(36.9)	22.6	(36.6)	52.3
Comprehensive Income	$84.5	$853.9	$406.3	$1,205.0

See notes to unaudited condensed consolidated financial statements.

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THE J. M. SMUCKER COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	January 31, 2019	April 30, 2018
Dollars in millions		
ASSETS		
Current Assets		
Cash and cash equivalents	$206.5	$192.6
Trade receivables, less allowance for doubtful accounts	502.6	385.6
Inventories:		
Finished products	582.4	542.1
Raw materials	342.3	312.3
Total Inventory	924.7	854.4
Other current assets	92.4	122.4
Total Current Assets	1,726.2	1,555.0
Property, Plant, and Equipment		
Land and land improvements	117.6	120.1
Buildings and fixtures	825.0	812.6
Machinery and equipment	2,154.8	2,111.5
Construction in progress	325.5	212.1
Gross Property, Plant, and Equipment	3,422.9	3,256.3
Accumulated depreciation	(1,575.0)	(1,527.2)
Total Property, Plant, and Equipment	1,847.9	1,729.1
Other Noncurrent Assets		
Goodwill	6,438.9	5,942.2
Other intangible assets – net	6,759.0	5,916.5
Other noncurrent assets	155.6	158.4
Total Other Noncurrent Assets	13,353.5	12,017.1
Total Assets	$16,927.6	$15,301.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$519.6	$512.1
Accrued trade marketing and merchandising	117.1	101.6
Current portion of long-term debt	299.3	—
Short-term borrowings	504.0	144.0
Other current liabilities	376.4	276.1
Total Current Liabilities	1,816.4	1,033.8
Noncurrent Liabilities		
Long-term debt, less current portion	5,285.8	4,688.0
Deferred income taxes	1,449.6	1,377.2
Other noncurrent liabilities	354.2	311.1
Total Noncurrent Liabilities	7,089.6	6,376.3
Total Liabilities	8,906.0	7,410.1
Shareholders' Equity		
Common shares	28.9	28.9
Additional capital	5,753.4	5,739.7
Retained income	2,392.6	2,239.2

Accumulated other comprehensive income (loss)	(153.3)	(116.7)
Total Shareholders’ Equity	8,021.6	7,891.1
Total Liabilities and Shareholders’ Equity	$16,927.6	$15,301.2

See notes to unaudited condensed consolidated financial statements.

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THE J. M. SMUCKER COMPANY
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS
(Unaudited)

Dollars in millions	Nine Months Ended January 31, 2019	2018
Operating Activities		
Net income	$442.9	$1,152.7
Adjustments to reconcile net income to net cash provided by (used for) operations:		
Depreciation	154.1	157.2
Amortization	179.9	154.7
Goodwill impairment charge	—	145.0
Other intangible assets impairment charges	107.2	31.9
Share-based compensation expense	16.5	16.8
Remeasurement of U.S. deferred tax assets and liabilities	—	(791.9)
Gain on divestiture	(27.6)	—
Loss on disposal of assets – net	3.7	5.3
Other noncash adjustments – net	0.9	4.0
Defined benefit pension contributions	(20.1)	(32.4)
Changes in assets and liabilities, net of effect from acquisition and divestiture:		
Trade receivables	(51.4)	18.6
Inventories	(18.8)	1.6
Other current assets	19.5	19.4
Accounts payable	(11.2)	15.9
Accrued liabilities	73.1	11.7
Income and other taxes	10.1	(33.9)
Other – net	(11.8)	27.0
Net Cash Provided by (Used for) Operating Activities	867.0	903.6
Investing Activities		
Business acquired, net of cash acquired	(1,903.0)	—
Additions to property, plant, and equipment	(267.2)	(210.3)
Proceeds from divestiture	371.4	—
Proceeds from disposal of property, plant, and equipment	0.5	8.9
Other – net	(24.5)	29.6
Net Cash Provided by (Used for) Investing Activities	(1,822.8)	(171.8)
Financing Activities		
Short-term borrowings (repayments) – net	360.0	(200.0)
Proceeds from long-term debt	1,500.0	799.6
Repayments of long-term debt	(600.0)	(1,050.3)
Quarterly dividends paid	(281.4)	(261.4)
Purchase of treasury shares	(5.2)	(6.9)
Other – net	0.2	(6.2)
Net Cash Provided by (Used for) Financing Activities	973.6	(725.2)
Effect of exchange rate changes on cash	(3.9)	12.8
Net increase (decrease) in cash and cash equivalents	13.9	19.4
Cash and cash equivalents at beginning of period	192.6	166.8
Cash and Cash Equivalents at End of Period	$206.5	$186.2

( ) Denotes use of cash
See notes to unaudited condensed consolidated financial statements.

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THE J. M. SMUCKER COMPANY
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars and shares in millions, unless otherwise noted, except per share data)
Note 1: Basis of Presentation
The unaudited interim condensed consolidated financial statements of The J. M. Smucker Company ("Company," "we," "us," or "our") have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments of a normal recurring nature considered necessary for a fair presentation have been included. Certain items previously reported in the financial statements have been reclassified to conform with the current year presentation.
Operating results for the nine months ended January 31, 2019, are not necessarily indicative of the results that may be expected for the year ending April 30, 2019. For further information, reference is made to the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended April 30, 2018.
Note 2: Revenue Recognition
The majority of our revenue is derived from the sale of food and beverage products to food retailers and foodservice distributors and operators. We recognize revenue when obligations under the terms of a contract with a customer have been satisfied. This occurs when control of our products transfers, which typically takes place upon delivery to or pick up by the customer. Amounts due from our customers are classified as trade receivables in the Condensed Consolidated Balance Sheets and require payment on a short-term basis.
Transaction price is based on the list price included in our published price list, which is then reduced by the estimated impact of trade marketing and merchandising programs, discounts, unsaleable product allowances, returns, and similar items in the same period that the revenue is recognized. To estimate the impact of these costs, we consider customer contract provisions, historical data, and our current expectations.
Our trade marketing and merchandising programs consist of various promotional activities conducted through retail trade, distributors, or directly with consumers, including in-store display and product placement programs, feature price discounts, coupons, and other similar activities. We regularly review and revise, when we deem necessary, estimates of costs for these promotional programs based on estimates of what will be redeemed by retail trade, distributors, or consumers. These estimates are made using various techniques, including historical data on performance of similar promotional programs. Differences between estimated expenditures and actual performance are recognized as a change in estimate in a subsequent period.
For revenue disaggregated by reportable segment, geographical region, and product category, see Note 7: Reportable Segments.
Note 3: Recently Issued Accounting Standards

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-15, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40) Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. It will be effective for us on May 1, 2020, with the option to early adopt at any time prior to the effective date, and will require adoption on either a retrospective or prospective basis for all implementation costs incurred after the date of adoption. We are currently evaluating our adoption date and the impact the application of ASU 2018-15 will have on our financial statements and disclosures. We expect to apply this standard on a prospective basis upon adoption.

In August 2018, the FASB also issued ASU 2018-14, Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20) Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans, which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement benefit plans. The guidance removes disclosures that are no longer considered cost beneficial and adds new and clarifies certain other disclosure requirements. ASU 2018-14 will be effective for us on May 1, 2020, with the option to early adopt at any time prior to the effective date, and it will require adoption on a retrospective basis. We do not anticipate that the adoption of this ASU will have a material impact on our disclosures.

In August 2018, the U.S. Securities and Exchange Commission ("SEC") adopted the final rule under SEC Release No. 33-10532, Disclosure Update and Simplification, to eliminate or modify certain disclosure rules that are redundant, outdated, or duplicative of U.S. GAAP or other regulatory requirements. Among other changes, the amendments remove the requirement to provide the ratio of earnings to fixed charges exhibit and reduce the requirements for supplemental pro forma information related to business combinations. The annual requirement to disclose the high and low trading prices of our common stock is also removed. In addition, the disclosure requirements related to the analysis of shareholders' equity are expanded for interim financial statements. An analysis of the changes in each caption of shareholders' equity presented in the balance sheet must be provided in a note or separate statement, as well as the amount of dividends per share for each class of shares. Although this rule was effective on November 5, 2018, the SEC is allowing an extended transition period to implement the expanded shareholders' equity disclosure requirements, which will be effective for us on May 1, 2019. We are continuing to evaluate the impact the application of this rule will have on our future financial statements and disclosures.

In March 2017, the FASB issued ASU 2017-07, Compensation – Retirement Benefits (Topic 715) Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which requires the service cost component of the net periodic pension cost to be presented separately from the other components of the net periodic pension cost in the income statement. Additionally, only the service cost component of the net periodic pension cost is eligible for capitalization. ASU 2017-07 was effective for us on May 1, 2018. The change in presentation of service cost was applied retrospectively, while the capitalization of service cost will be applied on a prospective basis. The adoption of this ASU did not have a material impact on our financial statements and disclosures.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740) Intra-Entity Transfers of Assets Other Than Inventory, which requires the recognition of the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs rather than deferring such recognition until the asset is sold to an outside party. ASU 2016-16 was effective for us on May 1, 2018, and required adoption on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The adoption of this ASU did not have an impact on our financial statements and disclosures.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments, which makes changes to how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 was effective for us on May 1, 2018, and required adoption on a retrospective basis. The adoption of this ASU did not impact the presentation of our financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize a right-of-use asset and lease liability for all leases with a term of more than 12 months. ASU 2016-02 will be effective for us on May 1, 2019, and requires a modified retrospective application. However, in July 2018, the FASB issued ASU 2018-11, Leases (Topic 842) Targeted Improvements, which provides an additional transition method that allows entities to initially apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption without restating prior periods. We expect to utilize this transition method upon adoption. We have compiled an inventory of our lease arrangements in order to determine the impact the new guidance will have on our financial statements and disclosures, and we are implementing new lease accounting software in preparation for the standard's additional reporting requirements. Based on our assessment to date, we expect that the adoption of ASU 2016-02 will result in a material increase in lease-related assets and liabilities recognized in our Consolidated Balance Sheets, but we are unable to quantify the impact at this time.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of the new guidance is that an entity must recognize revenue to depict the transfer of promised goods or 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. It requires additional disclosures to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows relating to customer contracts. We adopted the requirements of ASU 2014-09 and all related amendments on May 1, 2018, using the modified retrospective transition method. Adoption did not have an impact on our financial statements. The additional disclosures required are presented within Note 2: Revenue Recognition and Note 7: Reportable Segments.

Note 4: Acquisition

On May 14, 2018, we acquired the stock of Ainsworth Pet Nutrition, LLC ("Ainsworth") in an all-cash transaction, valued at $1.9 billion, inclusive of a working capital adjustment. The transaction was funded with a bank term loan and borrowings under

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our commercial paper program of approximately $1.5 billion and $400.0, respectively. For additional information on the financing associated with this transaction, refer to Note 10: Debt and Financing Arrangements.

Ainsworth is a leading producer, distributor, and marketer of premium pet food and pet snacks, predominantly within the U.S. The majority of Ainsworth’s sales are generated by the Rachael Ray® Nutrish® brand, which is driving significant growth in the premium pet food category. Ainsworth also sells pet food and pet snacks under several additional branded and private label trademarks. Prior to acquisition, Ainsworth was a privately-held company headquartered in Meadville, Pennsylvania. In addition to its headquarters, the transaction included two manufacturing facilities owned by Ainsworth, which are located in Meadville, Pennsylvania, and Frontenac, Kansas, and a leased distribution facility in Greenville, Pennsylvania.

The transaction was accounted for under the acquisition method of accounting, and accordingly, the results of Ainsworth's operations, including $199.2 and $546.2 in net sales and $17.2 and $17.6 in operating income, are included in our consolidated financial statements for the three and nine months ended January 31, 2019, respectively. The operating income for the nine months ended January 31, 2019, includes the recognition of an unfavorable fair value purchase accounting adjustment of $10.9, attributable to the acquired inventory.

The purchase price was preliminarily allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. We estimated the fair values based on independent appraisals, discounted cash flow analyses, quoted market prices, and other estimates made by management. The purchase price exceeded the estimated fair value of the net identifiable tangible and intangible assets acquired, and the excess was recognized as goodwill.

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed at the acquisition date.

Assets acquired:	
Cash and cash equivalents	$1.6
Trade receivables	66.3
Inventories	97.8
Other current assets	4.8
Property, plant, and equipment	83.8
Goodwill	644.7
Other intangible assets	1,239.6
Other noncurrent assets	0.3
Total assets acquired	$2,138.9
Liabilities assumed:	
Current liabilities	$83.2
Deferred tax liabilities	132.3
Other noncurrent liabilities	18.8
Total liabilities assumed	$234.3
Net assets acquired	$1,904.6

Estimated fair values for the acquisition, including goodwill, other intangible assets, contingent liabilities, and income taxes, are not yet finalized. The purchase price was preliminarily allocated based on information available at the date of acquisition and is subject to change as we complete our analysis of the fair values at the date of acquisition during the measurement period, not to exceed one year, as permitted under FASB Accounting Standards Codification ("ASC") 805, Business Combinations.

As a result of the acquisition, we recognized goodwill of $644.7 within the U.S. Retail Pet Foods segment. A portion of goodwill will be deductible for income tax purposes, the amount of which will be finalized during the remaining measurement period. Goodwill represents the value we expect to achieve through the implementation of operational synergies and growth opportunities as we integrate Ainsworth into our U.S. Retail Pet Foods segment. The goodwill and indefinite-lived trademarks within the U.S. Retail Pet Foods segment, inclusive of the recently acquired Ainsworth business, remain susceptible to future impairment charges, as the carrying values approximate estimated fair values. Any significant adverse change in our near or long-term projections or macroeconomic conditions would result in future impairment charges. For more information, see Note 9: Goodwill and Other Intangible Assets.

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The purchase price was preliminarily allocated to the identifiable other intangible assets acquired as follows:

Intangible assets with finite lives:	
Customer and contractual relationships (25-year useful life)	$935.0
Trademarks (5-year useful life)	1.6
Intangible assets with indefinite lives:	
Trademarks	303.0
Total other intangible assets	$1,239.6

Ainsworth's results of operations are included in our consolidated financial statements from the date of the transaction within the U.S. Retail Pet Foods segment. Had the transaction occurred on May 1, 2017, unaudited pro forma consolidated results for the three and nine months ended January 31, 2019 and 2018, would have been as follows:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2019	2018	2019	2018
Net sales	$2,011.9	$2,080.0	$5,963.3	$6,069.9
Net income	127.1	743.1	449.9	1,036.7

The unaudited pro forma consolidated results are based on our historical financial statements and those of Ainsworth, and do not necessarily indicate the results of operations that would have resulted had the acquisition been completed at the beginning of the applicable period presented. The most significant pro forma adjustments relate to the elimination of nonrecurring acquisition-related costs incurred prior to the close of the transaction, amortization of acquired intangible assets, depreciation of acquired property, plant, and equipment, and higher interest expense associated with acquisition-related financing. The unaudited pro forma consolidated results do not give effect to the synergies of the acquisition and are not indicative of the results of operations in future periods.

Note 5: Integration and Restructuring Costs

Integration and restructuring costs primarily consist of employee-related costs and other transition and termination costs related to certain acquisition or restructuring activities. Employee-related costs include severance, retention bonuses, and relocation costs. Severance costs and retention bonuses are recognized over the estimated future service period of the affected employees, and relocation costs are expensed as incurred. Other transition and termination costs include fixed asset-related charges, contract and lease termination costs, professional fees, and other miscellaneous expenditures associated with the integration or restructuring activities, which are expensed as incurred. These one-time costs are not allocated to segment profit, and the majority of these costs are reported in other special project costs in the Condensed Statements of Consolidated Income. The obligation related to employee separation costs is included in other current liabilities in the Condensed Consolidated Balance Sheets.

Integration Costs: Total one-time costs related to the acquisition of Ainsworth are anticipated to be approximately $50.0, the majority of which are expected to be cash charges. Of the total anticipated one-time costs, we expect approximately half to be employee-related costs. Approximately two-thirds of the total one-time costs are expected to be incurred by the end of 2019.

The following table summarizes our one-time costs incurred related to the Ainsworth acquisition.

	Three Months Ended January 31, 2019	Nine Months Ended January 31, 2019	Total Costs Incurred to Date at January 31, 2019
Employee-related costs	$ 5.4	$ 13.2	$ 13.2
Other transition and termination costs	2.3	10.7	10.7
Total one-time costs	$ 7.7	$ 23.9	$ 23.9

Noncash charges of $1.0 and $2.8 were included in the one-time costs incurred during the three and nine months ended January 31, 2019, respectively. Noncash charges included in total one-time costs incurred to date were $2.8 and

primarily consisted of accelerated depreciation. The obligation related to severance costs and retention bonuses was $6.0 at January 31, 2019.
All integration activities related to the acquisition of Big Heart Pet Brands (“Big Heart”) were complete as of April 30, 2018, and as a result, we did not incur any integration costs during the three and nine months ended January 31, 2019. During the

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three and nine months ended January 31, 2018, we incurred one-time costs of $4.8 and $23.7, respectively. Noncash charges of $0.3 and $2.8 were included in the one-time costs incurred during the three and nine months ended January 31, 2018, respectively, and primarily consisted of share-based compensation and accelerated depreciation. The obligation related to severance costs and retention bonuses was $0.1 at April 30, 2018, and was fully satisfied at January 31, 2019.

Restructuring Costs: An organization optimization program was approved by the Board of Directors (the “Board”) during the fourth quarter of 2016. Under this program, we identified opportunities to reduce costs and optimize the organization. Related projects included an organizational redesign and the optimization of our manufacturing footprint. The program was recently expanded to include the restructuring of our geographic footprint, which includes the centralization of our pet food and pet snacks business, as well as certain international non-manufacturing functions, to our corporate headquarters in Orrville, Ohio, furthering collaboration and enhanced agility, while improving cost efficiency.

As a result of the program, all coffee production at our Harahan, Louisiana, facility was consolidated into one of our coffee facilities in New Orleans, Louisiana, during 2018. We also closed our international offices in China and Mexico during the second quarter of 2019, and we plan to close the San Francisco and Burbank, California, offices by the end of 2019.

Upon completion of the remaining initiatives, we anticipate that the organization optimization program will result in total headcount reductions of approximately 450 full-time positions, the majority of which have been separated as of January 31, 2019. Total restructuring costs are expected to be approximately $75.0, which primarily represent employee-related costs. The majority of the remaining restructuring costs are expected to be incurred through the end of 2019.

The following table summarizes our one-time costs incurred related to the organization optimization program.

	Three Months Ended January 31,		Nine Months Ended January 31,		Total Costs Incurred to Date at
	2019	2018	2019	2018	January 31, 2019
Employee-related costs	$8.1	$(0.5)	$23.2	$11.1	$ 47.0
Other transition and termination costs	3.0	3.6	4.8	11.5	23.6
Total one-time costs	$11.1	$3.1	$28.0	$22.6	$ 70.6

Noncash charges of $1.2 and $2.9 were included in the one-time costs incurred during the three months ended January 31, 2019 and 2018, respectively, and $2.2 and $9.8 during the nine months ended January 31, 2019 and 2018, respectively. Noncash charges included in total one-time costs incurred to date were $14.1 and primarily consisted of accelerated depreciation. The obligation related to severance costs and retention bonuses was $7.1 and $0.3 at January 31, 2019, and April 30, 2018, respectively.

Note 6: Divestiture

On August 31, 2018, we sold our U.S. baking business to Brynwood Partners VII L.P. and Brynwood Partners VIII L.P., subsidiaries of Brynwood Partners, an unrelated party. The transaction included products that were primarily sold in U.S. retail channels under the Pillsbury®, Martha White®, Hungry Jack®, White Lily®, and Jim Dandy® brands, along with all relevant trademarks and licensing agreements, and our manufacturing facility in Toledo, Ohio. This business generated net sales of approximately $370.0 in 2018. The transaction did not include our baking business in Canada.

The operating results for this business were primarily included in the U.S. Retail Consumer Foods segment prior to the sale. We received proceeds from the divestiture of $371.4, which were net of cash transaction costs, and are subject to a working capital adjustment. Upon completion of the transaction, we recognized a pre-tax gain of $27.6 during 2019, which is included in other operating expense (income) – net within the Condensed Statement of Consolidated Income.

Note 7: Reportable Segments

We operate in one industry: the manufacturing and marketing of food and beverage products. We have four reportable segments: U.S. Retail Coffee, U.S. Retail Consumer Foods, U.S. Retail Pet Foods, and International and Away From Home.

The U.S. Retail Coffee segment primarily includes the domestic sales of Folgers®, Dunkin' Donuts®, and Café Bustelo® branded coffee; the U.S. Retail Consumer Foods segment primarily includes the domestic sales of Jif®, Smucker's®, and Crisco® branded products; and the U.S. Retail Pet Foods segment primarily includes the domestic sales of Rachael Ray Nutrish, Meow Mix®, Milk-Bone®, Natural Balance®, Kibbles 'n Bits®, 9Lives®, Pup-Peroni®, and Nature's Recipe® branded products. The

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International and Away From Home segment comprises products distributed domestically and in foreign countries through retail channels and foodservice distributors and operators (e.g., restaurants, lodging, schools and universities, health care operators).

Effective May 1, 2018, the convenience store channel, which was previously included in the U.S. retail segments, is now included in the International and Away From Home segment. Segment performance for the three and nine months ended January 31, 2018, has been reclassified for this realignment.

Segment profit represents net sales, less direct and allocable operating expenses, and is consistent with the way in which we manage our segments. However, we do not represent that the segments, if operated independently, would report operating profit equal to the segment profit set forth below, as segment profit excludes certain expenses such as corporate administrative expenses, unallocated gains and losses on commodity and foreign currency exchange derivative activities, as well as amortization expense and impairment charges related to intangible assets.

Commodity and foreign currency exchange derivative gains and losses are reported in unallocated derivative gains and losses outside of segment operating results until the related inventory is sold. At that time, we reclassify the hedge gains and losses from unallocated derivative gains and losses to segment profit, allowing our segments to realize the economic effect of the hedge without experiencing any mark-to-market volatility. We would expect that any gain or loss in the estimated fair value of the derivatives would generally be offset by a change in the estimated fair value of the underlying exposures.

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2019	2018	2019	2018
Net sales:				
U.S. Retail Coffee	$561.6	$549.1	$1,596.0	$1,579.9
U.S. Retail Consumer Foods	422.7	508.4	1,367.9	1,524.1
U.S. Retail Pet Foods	759.0	561.0	2,158.3	1,632.8
International and Away From Home	268.6	284.8	813.7	839.0
Total net sales	$2,011.9	$1,903.3	$5,935.9	$5,575.8
Segment profit:				
U.S. Retail Coffee	$183.7	$181.6	$505.8	$456.9
U.S. Retail Consumer Foods	95.9	121.4	327.5	361.7
U.S. Retail Pet Foods	147.9	117.6	372.2	337.8
International and Away From Home	52.5	53.4	152.6	149.0
Total segment profit	$480.0	$474.0	$1,358.1	$1,305.4
Amortization	(59.7)	(51.6)	(179.9)	(154.7)
Goodwill impairment charge	—	(145.0)	—	(145.0)
Other intangible assets impairment charges	(107.2)	(31.9)	(107.2)	(31.9)
Interest expense – net	(51.6)	(43.1)	(158.8)	(126.7)
Unallocated derivative gains (losses)	(2.9)	(0.7)	(25.0)	21.6
Cost of products sold – special project costs (A)	—	(2.3)	—	(3.9)
Other special project costs (A)	(18.8)	(5.6)	(51.9)	(42.4)
Corporate administrative expenses	(73.8)	(72.9)	(219.1)	(217.8)
Other income (expense) – net	(8.8)	(4.9)	(16.5)	(7.8)
Income before income taxes	$157.2	$116.0	$599.7	$596.8

(A) Special project costs includes integration and restructuring costs. For more information, see Note 5: Integration and Restructuring Costs.

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The following table presents certain geographical information.

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2019	2018	2019	2018
Net sales:				
United States	$1,880.6	$1,757.7	$5,526.1	$5,146.8
International:				
Canada	$106.7	$111.7	$319.2	$324.6
All other international	24.6	33.9	90.6	104.4
Total international	$131.3	$145.6	$409.8	$429.0
Total net sales	$2,011.9	$1,903.3	$5,935.9	$5,575.8

The following table presents product category information.

	Three Months Ended January 31,		Nine Months Ended January 31,		
	2019	2018	2019	2018	Primary Reportable Segment (A)
Coffee	$653.5	$647.1	$1,867.3	$1,868.7	U.S. Retail Coffee
Dog food	337.5	187.6	980.9	572.0	U.S. Retail Pet Foods
Cat food	218.9	187.6	615.2	531.2	U.S. Retail Pet Foods
Pet snacks	217.9	200.9	607.6	574.2	U.S. Retail Pet Foods
Peanut butter	188.5	179.5	574.6	564.4	U.S. Retail Consumer Foods
Fruit spreads	86.0	89.2	254.6	267.3	U.S. Retail Consumer Foods
Frozen handheld	67.3	60.1	210.5	179.1	U.S. Retail Consumer Foods
Shortening and oils	74.8	76.1	207.0	210.1	U.S. Retail Consumer Foods
Baking mixes and ingredients	21.9	124.7	164.6	344.9	U.S. Retail Consumer Foods
Portion control	40.1	39.4	122.6	121.1	International and Away From Home
Juices and beverages	30.6	33.3	96.7	107.7	U.S. Retail Consumer Foods
Other	74.9	77.8	234.3	235.1	International and Away From Home
Total net sales	$2,011.9	$1,903.3	$5,935.9	$5,575.8	

(A) The primary reportable segment generally represents at least 75 percent of total net sales for each respective product category.

Note 8: Earnings per Share

The following table sets forth the computation of net income per common share and net income per common share – assuming dilution under the two-class method.

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2019	2018	2019	2018
Net income	$121.4	$831.3	$442.9	$1,152.7
Less: Net income allocated to participating securities	0.6	4.4	2.3	6.1
Net income allocated to common stockholders	$120.8	$826.9	$440.6	