TUPPERWARE BRANDS CORP
Form 10-Q
October 31, 2017
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the 13 weeks ended September 30, 2017
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 1-11657

TUPPERWARE BRANDS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	36-4062333
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
14901 South Orange Blossom Trail, Orlando, Florida	32837
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (407) 826-5050

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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). Yes x No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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. (Check one):

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

As of October 26, 2017, 50,887,471 shares of the common stock, $0.01 par value, of the registrant were outstanding.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Item 1. Financial Statements (Unaudited)
TUPPERWARE BRANDS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In millions, except per share amounts)	13 weeks ended September 30, 2017	13 weeks ended September 24, 2016	39 weeks ended September 30, 2017	39 weeks ended September 24, 2016
Net sales	$539.5	$ 521.8	$1,667.2	$ 1,612.2
Cost of products sold	182.7	168.4	543.0	518.3
Gross margin	356.8	353.4	1,124.2	1,093.9
Delivery, sales and administrative expense	283.9	284.2	882.5	871.1
Re-engineering and impairment charges	9.0	2.4	43.9	5.4
Impairment of goodwill	—	—	62.9	—
Gains on disposal of assets	4.1	24.2	7.3	25.1
Operating income	68.0	91.0	142.2	242.5
Interest income	0.8	0.8	2.0	2.3
Interest expense	11.5	12.8	34.7	36.1
Other (income) expense	0.9	(0.3)	1.6	1.0
Income before income taxes	56.4	79.3	107.9	207.7
Provision for income taxes	25.0	30.5	46.8	63.1
Net income	$31.4	$ 48.8	$61.1	$ 144.6
Earnings per share:				
Basic	$0.62	$ 0.97	$1.20	$ 2.86
Diluted	0.61	0.96	1.19	2.85
Weighted-average shares outstanding:				
Basic	50.9	50.5	50.8	50.5
Diluted	51.3	50.8	51.3	50.7
Dividends declared per common share	$0.68	$ 0.68	$2.04	$ 2.04

See accompanying Notes to Consolidated Financial Statements (Unaudited).

Table of Contents

TUPPERWARE BRANDS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In millions)	13 weeks ended September 30, 2017	13 weeks ended September 24, 2016	39 weeks ended September 30, 2017	39 weeks ended September 24, 2016
Net income	$31.4	$ 48.8	$61.1	$ 144.6
Other comprehensive income (loss):				
Foreign currency translation adjustments	2.9	(8.4)	55.1	(20.2)
Deferred gain (loss) on cash flow hedges, net of tax benefit (provision) of ($0.2), ($0.4), $1.6 and $0.6, respectively	(0.1)	0.8	(6.0)	(2.9)
Pension and other post-retirement income (costs), net of tax benefit (provision) of $0.6, ($0.1), $2.0 and $0.2, respectively	(1.2)	1.2	(4.5)	0.8
Other comprehensive income (loss)	1.6	(6.4)	44.6	(22.3)
Total comprehensive income	$33.0	$ 42.4	$105.7	$ 122.3

See accompanying Notes to Consolidated Financial Statements (Unaudited).

Table of Contents

TUPPERWARE BRANDS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	September 30, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	$ 118.9	$ 93.2
Accounts receivable, less allowances of $38.1 and $32.6, respectively	154.1	125.3
Inventories	291.1	240.4
Non-trade amounts receivable, net	28.8	64.9
Prepaid expenses and other current assets	30.7	21.5
Total current assets	623.6	545.3
Deferred income tax benefits, net	609.5	539.7
Property, plant and equipment, net	276.0	259.8
Long-term receivables, less allowances of $16.5 and $11.0, respectively	17.8	13.2
Trademarks and tradenames, net	67.0	67.3
Goodwill	80.3	132.6
Other assets, net	34.3	29.9
Total assets	$ 1,708.5	$ 1,587.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 88.3	$ 117.7
Short-term borrowings and current portion of long-term debt and capital lease obligations	193.1	105.9
Accrued liabilities	353.7	324.0
Total current liabilities	635.1	547.6
Long-term debt and capital lease obligations	605.3	606.0
Other liabilities	231.6	221.4
Shareholders' equity:		
Preferred stock, $0.01 par value, 200,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value, 600,000,000 shares authorized; 63,607,090 shares issued	0.6	0.6
Paid-in capital	218.6	208.6
Retained earnings	1,407.9	1,455.3
Treasury stock, 12,726,319 and 12,969,165 shares, respectively, at cost	(863.7)	(880.2)
Accumulated other comprehensive loss	(526.9)	(571.5)
Total shareholders' equity	236.5	212.8
Total liabilities and shareholders' equity	$ 1,708.5	$ 1,587.8

See accompanying Notes to Consolidated Financial Statements (Unaudited).

Table of Contents

TUPPERWARE BRANDS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	39 weeks ended September 30, 2017	September 24, 2016
Operating Activities:		
Net income	$61.1	$ 144.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	45.3	43.8
Unrealized foreign exchange loss	0.3	0.3
Equity compensation	14.1	13.0
Amortization of deferred debt costs	0.4	0.5
Net gains on disposal of assets	(7.0)	(24.7)
Provision for bad debts	13.1	8.7
Write-down of inventories	7.1	8.2
Non-cash impact of re-engineering and impairment costs	66.8	—
Net change in deferred income taxes	(42.7)	(16.5)
Excess tax benefits from share-based payment arrangements	—	(0.3)
Changes in assets and liabilities:		
Accounts and notes receivable	(35.7)	(6.7)
Inventories	(42.8)	(23.4)
Non-trade amounts receivable	0.1	(7.4)
Prepaid expenses	(4.9)	(6.2)
Other assets	(5.4)	(1.3)
Accounts payable and accrued liabilities	14.1	(34.5)
Income taxes payable	(11.7)	(5.4)
Other liabilities	2.4	5.3
Net cash impact from hedging activity	5.8	(5.6)
Other	0.4	(0.1)
Net cash provided by operating activities	80.8	92.3
Investing Activities:		
Capital expenditures	(52.6)	(38.2)
Proceeds from disposal of property, plant and equipment	11.7	31.8
Net cash used in investing activities	(40.9)	(6.4)
Financing Activities:		
Dividend payments to shareholders	(103.9)	(104.0)
Proceeds from exercise of stock options	9.9	0.6
Repurchase of common stock	(0.6)	(1.1)
Repayment of capital lease obligations	(1.6)	(1.7)
Net change in short-term debt	76.1	33.0
Excess tax benefits from share-based payment arrangements	—	0.3
Net cash used in financing activities	(20.1)	(72.9)
Effect of exchange rate changes on cash and cash equivalents	5.9	5.7
Net change in cash and cash equivalents	25.7	18.7
Cash and cash equivalents at beginning of year	93.2	79.8
Cash and cash equivalents at end of period	$118.9	$ 98.5

See accompanying Notes to Consolidated Financial Statements (Unaudited).

6

Table of Contents
TUPPERWARE BRANDS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1: Summary of Significant Accounting Policies
Basis of Presentation: The condensed consolidated financial statements include the accounts of Tupperware Brands Corporation and its subsidiaries, collectively “Tupperware” or the “Company”, with all intercompany transactions and balances having been eliminated. These condensed consolidated financial statements and related notes should be read in conjunction with the audited 2016 financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.
Certain prior year amounts have been reclassified to conform with current year presentation.
These condensed consolidated financial statements are unaudited and have been prepared following the rules and regulations of the United States Securities and Exchange Commission and, in the Company's opinion, reflect all adjustments, including normal recurring items that are necessary for a fair statement of the results for the interim periods. Certain information and note disclosures normally included in the balance sheet, statements of income, comprehensive income and cash flows prepared in conformity with accounting principles generally accepted in the United States of America have been condensed or omitted as permitted by such rules and regulations. Operating results of any interim period presented herein are not necessarily indicative of the results that may be expected for a full fiscal year.
The Company's fiscal year ends on the last Saturday of December. As a result, the 2016 fiscal year included 53 weeks with 14 weeks in the fourth quarter, whereas the 2017 fiscal year will include 52 weeks with 13 weeks in the fourth quarter.
Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates.
Note 2: Shipping and Handling Costs
The cost of products sold line item includes costs related to the purchase and manufacture of goods sold by the Company. Among these costs are inbound freight charges, duties, purchasing and receiving costs, inspection costs, depreciation expense, internal transfer costs and warehousing costs of raw material, work in process and packing materials. The warehousing and distribution costs of finished goods are included in delivery, sales and administrative expense (“DS&A”). Distribution costs are comprised of outbound freight and associated labor costs. Fees billed to customers associated with the distribution of products are classified as revenue. The distribution costs included in DS&A expense for the third quarters of 2017 and 2016 were $35.0 million and $32.6 million, respectively, and for the year-to-date periods ended September 30, 2017 and September 24, 2016 were $105.5 million and $99.1 million, respectively.
Note 3: Promotional Costs
The Company frequently makes promotional offers to members of its independent sales force to encourage them to fulfill specific goals or targets for sales levels, party attendance, addition of new sales force members or other business-critical functions. The awards offered are in the form of product awards, special prizes or trips.
The Company accrues for the costs of these awards during the period over which the sales force qualifies for the award and reports these costs primarily as a component of DS&A expense. These accruals require estimates as to the cost of the awards, based upon estimates of achievement and actual cost to be incurred. During the qualification period, actual results are monitored, and changes to the original estimates are made when known. Promotional and other sales force compensation expenses included in DS&A expense totaled $86.4 million and $89.5 million for the third quarters of 2017 and 2016, respectively, and $274.0 million and $281.2 million for the year-to-date periods ended September 30, 2017 and September 24, 2016, respectively.

7

Table of Contents
TUPPERWARE BRANDS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Note 4: Inventories

(In millions)	September 30, 2017	December 31, 2016
Finished goods	$ 228.2	$ 189.4
Work in process	29.5	23.0
Raw materials and supplies	33.4	28.0
Total inventories	$ 291.1	$ 240.4

Note 5: Net Income Per Common Share

Basic per share information is calculated by dividing net income by the weighted average number of shares outstanding. Diluted per share information is calculated by also considering the impact of potential common stock on both net income and the weighted average number of shares outstanding.

The elements of the earnings per share computations were as follows:

(In millions, except per share amounts)	13 weeks ended September 30, 2017	13 weeks ended September 24, 2016	39 weeks ended September 30, 2017	39 weeks ended September 24, 2016
Net income	$ 31.4	$ 48.8	$ 61.1	$ 144.6
Weighted-average shares of common stock outstanding	50.9	50.5	50.8	50.5
Common equivalent shares:				
Assumed exercise of dilutive options, restricted shares, restricted stock units and performance share units	0.4	0.3	0.5	0.2
Weighted-average common and common equivalent shares outstanding	51.3	50.8	51.3	50.7
Basic earnings per share	$ 0.62	$ 0.97	$ 1.20	$ 2.86
Diluted earnings per share	$ 0.61	$ 0.96	$ 1.19	$ 2.85
Shares excluded from the determination of potential common stock because inclusion would have been anti-dilutive	1.0	0.9	1.0	1.4

Table of Contents
TUPPERWARE BRANDS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Note 6: Accumulated Other Comprehensive Loss

(In millions, net of tax)	Foreign Currency Items	Cash Flow Hedges	Pension and Other Post-retirement Items	Total
Balance at December 31, 2016	$ (544.3)	$ 4.9	$ (32.1)	$ (571.5)
Other comprehensive income (loss) before reclassifications	55.1	(5.4)	(5.2)	44.5
Amounts reclassified from accumulated other comprehensive loss	—	(0.6)	0.7	0.1
Net current-period other comprehensive income (loss)	55.1	(6.0)	(4.5)	44.6
Balance at September 30, 2017	$ (489.2)	$ (1.1)	$ (36.6)	$ (526.9)

(In millions, net of tax)	Foreign Currency Items	Cash Flow Hedges	Pension and Other Post-retirement Items	Total
Balance at December 26, 2015	$ (490.6)	$ 4.3	$ (35.7)	$ (522.0)
Other comprehensive income (loss) before reclassifications	(20.2)	0.2	(0.7)	(20.7)
Amounts reclassified from accumulated other comprehensive loss	—	(3.1)	1.5	(1.6)
Net current-period other comprehensive income (loss)	(20.2)	(2.9)	0.8	(22.3)
Balance at September 24, 2016	$ (510.8)	$ 1.4	$ (34.9)	$ (544.3)

Pretax amounts reclassified from accumulated other comprehensive loss that related to cash flow hedges consisted of net gains of $1.0 million and $4.3 million for the year-to-date periods ended September 30, 2017 and September 24, 2016, respectively. Associated with these items were tax provisions of $0.4 million and $1.2 million, respectively. See Note 11 for further discussion of derivatives.

For the year-to-date periods ended September 30, 2017 and September 24, 2016, pretax amounts reclassified from accumulated other comprehensive loss related to pension and other post-retirement items consisted of prior service benefits of $1.1 million in each year, actuarial losses of $1.1 million and $1.3 million, respectively, and pension settlement costs of $0.9 million and $1.5 million, respectively. The tax benefits associated with these items were $0.2 million in each year. See Note 13 for further discussion of pension and other post-retirement benefit costs.

Table of Contents
TUPPERWARE BRANDS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Note 7: Re-engineering and Impairment Costs
The Company recorded $9.0 million and $2.4 million in re-engineering charges during the third quarters of 2017 and 2016, respectively, and $43.9 million and $5.4 million for the year-to-date periods ended September 30, 2017 and September 24, 2016, respectively.
In 2017, these charges were primarily related to restructuring actions taken in connection with the Company's plans, through 2018 or 2019, to rationalize its supply chain and to adjust the cost base of several marketing units. The restructuring charges also relate to the Company's decision to wind-down the Beauticontrol reporting unit due to a history of declining revenues, operating losses and the competitive environment in the direct selling channel and retail sector for beauty and personal care products in the United States, Canada and Puerto Rico. In connection with the decision to wind-down Beauticontrol, the Company also recorded $3.2 million in cost of sales for inventory obsolescence.
The total cost of the restructuring actions is estimated to be $100 million to $110 million from the second quarter of 2017 forward. This excludes the benefit of selling fixed assets that will become excess in light of the re-engineering actions. The Company expects about 90 percent of second quarter 2017 forward re-engineering costs to require cash outflows and for these to be funded with cash flow from operations, net of investing activities, notwithstanding the timing during each fiscal year in which the Company generates the majority of its cash. Of the total costs, the Company estimates that about 80 percent relates to severance and benefits related to headcount reductions, while the balance is predominantly related to costs to exit leases and other contracts, as well as write-offs of excess assets for which there are not expected to be disposal proceeds.
The re-engineering charges by segment during the third quarter of 2017 and for the year-to-date period ended September 30, 2017 were as follows:

(In millions)	13 weeks ended September 30, 2017	39 weeks ended September 30, 2017
Europe	$ 2.2	$ 28.5
Asia Pacific	3.8	4.8
Tupperware North America	0.3	0.3
Beauty North America	2.7	10.3
Total re-engineering charges	$ 9.0	$ 43.9

In 2016, the charges were primarily related to severance costs incurred for headcount reductions in several of the Company’s operations in connection with changes in its management and organizational structures.
The balances included in accrued liabilities related to re-engineering and impairment charges as of September 30, 2017 and December 31, 2016 were as follows:

(In millions)	September 30, 2017	December 31, 2016
Beginning of the year balance	$ 1.6	$ 1.7
Provision	43.9	7.6
Non-cash charges	(4.0)	(0.3)
Cash expenditures:		
Severance	(6.9)	(5.2)
Other	(1.5)	(2.2)
End of period balance	$ 33.1	$ 1.6

The accrual balance as of September 30, 2017, related primarily to severance payments to be made through the second quarter of 2018.

10

Note 8: Goodwill and Intangible Assets

The Company's goodwill and intangible assets relate primarily to the December 2005 acquisition of the direct-to-consumer businesses of Sara Lee Corporation. The Company has early adopted Accounting Standards Update 2017-04: Simplifying the Test for Goodwill Impairment.

In the third quarter of 2017, the Company completed the annual assessments for all of its reporting units and indefinite-lived intangible assets, concluding there were no impairments. The Company performed only qualitative assessments in the third quarter of 2017.

In the second quarter of 2017, as part of its on-going assessment of goodwill and intangible assets, the Company noted that the sales, profitability and cash flow of Fuller Mexico had fallen below its recent trend lines and would fall significantly short of previous expectations for the year. As a result, the Company performed an interim impairment test as of the end of May 2017, recording an impairment charge of $62.9 million.

The May 2017 impairment evaluation of the goodwill associated with the Fuller Mexico reporting unit involved comparing the fair value of the reporting unit to its carrying value, including the goodwill balance, after consideration of impairment to its long-lived assets. There were no impairments of any long-lived assets. The fair value analysis for Fuller Mexico was completed using a combination of the income and market approach with a 75 percent weighting on the income approach, which was considered a Level 3 measurement within the fair value hierarchy. The significant assumptions used in the income approach included estimates regarding future operations and the ability to generate cash flows, including projections of revenue, costs, utilization of assets and capital requirements. The income approach, or discounted cash flow approach, also requires an estimate as to the appropriate discount rate to be used. The most sensitive estimate in this valuation is the projection of operating cash flows, as these provide the basis for the estimate of fair market value. The Company’s cash flow model used a forecast period of 10 years with annual revenue growth rates ranging from negative 10 percent to positive 4 percent, a compound average growth rate of 1.6 percent, and a 3 percent growth rate used in calculating the terminal value. The discount rate used was 15.8 percent. The growth rates were determined by reviewing historical results of the operating unit and the historical results of the Company’s other similar business units, along with the expected contribution from growth strategies being implemented. The market approach relies on an analysis of publicly-traded companies similar to Tupperware and deriving a range of revenue and profit multiples. The publicly-traded companies used in the market approach were selected based on their having similar product lines of consumer goods, beauty products and/or companies using a direct-to-consumer distribution method. The resulting multiples were then applied to the reporting unit to determine fair value. The goodwill was then written down so that the carrying value of the Fuller Mexico reporting unit would equal its fair value.

With the estimated fair value of the reporting unit equaling its carrying value as of the end of the May 2017 evaluation, the Fuller Mexico reporting unit has a high risk of future impairment to the remaining goodwill balance of $18.9 million. Fuller Mexico's performance in the third quarter of 2017 was not out of line with assumptions built into the fair value evaluation performed as of the end of May 2017, despite the impact of the natural disasters in Mexico during the third quarter of 2017. Any lingering impacts into the fourth quarter 2017 are expected to be temporary and not impactful to the long-term value of the business. A deterioration in key operating metrics, such as sales force size, and/or operating performance significantly below current expectations, including changes in projected future revenue, profitability and cash flow, as well as higher working capital, interest rates, or cost of capital, could have a negative effect on the fair value of the reporting unit. In addition, the Company is unable to predict, at this time, whether there will be a significant, long-term impact to the Fuller Mexico operations due to changes in the macro-economic environment. Should the Company's programs and strategies to improve the key performance indicators as outlined above not be able to overcome the general trends in the business and/or macro-economic factors in the time frame forecast, which could also impact the long-term discount rate values used in estimating fair value, the estimated fair value of the reporting unit could fall below its carrying value. This would result in recording an impairment to the goodwill of Fuller Mexico.

Note 9: Segment Information

The Company manufactures and distributes a broad portfolio of products, primarily through independent direct sales consultants. Certain operating segments have been aggregated based upon geography, consistency of economic substance, products, production process, class of customers and distribution method.

The Company's reportable segments include the following:

Europe Asia Pacific Tupperware North America	Primarily design-centric preparation, storage and serving solutions for the kitchen and home through the Tupperware® brand. Europe also includes Avroy Shlain® in South Africa and Nutrimetics® in France, which sell beauty and personal care products. Some units in Asia Pacific also sell beauty and personal care products under the NaturCare®, Nutrimetics® and Fuller® brands.
Beauty North America	Premium cosmetics, skin care and personal care products marketed under the BeautiControl® brand in the United States, Canada and Puerto Rico through the third quarter 2017 and Fuller Cosmetics® brands in Mexico and Central America.
South America	Both housewares and beauty products under the Fuller®, Nutrimetics®, Nuvo® and Tupperware® brands.

Worldwide sales of beauty and personal care products totaled $86.8 million and $87.2 million in the third quarters of 2017 and 2016, respectively, and $253.1 million and $272.1 million in the respective year-to-date periods.

Table of Contents
TUPPERWARE BRANDS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

(In millions)	13 weeks ended September 30, 2017	13 weeks ended September 24, 2016	39 weeks ended September 30, 2017	39 weeks ended September 24, 2016
Net sales:				
Europe	$110.8	$ 107.3	$395.7	$ 399.6
Asia Pacific	184.4	188.9	545.2	554.8
Tupperware North America	94.7	88.1	283.6	264.4
Beauty North America	44.4	43.2	128.6	145.5
South America	105.2	94.3	314.1	247.9
Total net sales	$539.5	$ 521.8	$1,667.2	$ 1,612.2
Segment profit (loss):				
Europe	$(2.4)	$ (1.8)	$29.4	$ 38.0
Asia Pacific	49.5	46.8	135.7	130.4
Tupperware North America	20.3	17.2	57.8	51.2
Beauty North America	(4.6)	(2.0)	(5.6)	(2.3)
South America	23.6	23.9	69.7	52.5
Total segment profit	$86.4	$ 84.1	$287.0	$ 269.8
Unallocated expenses	(14.4)	(14.6)	(46.9)	(48.0)
Re-engineering and impairment charges (a)	(9.0)	(2.4)	(43.9)	(5.4)
Impairment of goodwill	—	—	(62.9)	—
Gains on disposal of assets	4.1	24.2	7.3	25.1
Interest expense, net	(10.7)	(12.0)	(32.7)	(33.8)
Income before taxes	$56.4	$ 79.3	$107.9	$ 207.7

(In millions)	September 30, 2017	December 31, 2016
Identifiable assets:		
Europe	$ 299.8	$ 257.2
Asia Pacific	293.1	278.6
Tupperware North America	146.3	119.0
Beauty North America	167.8	214.7
South America	153.0	124.6
Corporate	648.5	593.7
Total identifiable assets	$ 1,708.5	$ 1,587.8

(a) See Note 7 to the unaudited Consolidated Financial Statements for a discussion of re-engineering and impairment charges.

Table of Contents

Note 10: Debt

Debt Obligations

(In millions)	September 30, 2017	December 31, 2016
Fixed rate senior notes due 2021	$ 599.5	$ 599.4
Five year Revolving Credit Agreement (a)	191.0	104.0
Belgium facility capital lease	7.8	8.4
Other	0.1	0.1
Total debt obligations	$ 798.4	$ 711.9

(a) $95.5 million and $84.6 million denominated in euros as of September 30, 2017 and December 31, 2016, respectively.

Credit Agreement

As of September 30, 2017, the Company had a weighted average interest rate on outstanding LIBOR based borrowings of 2.1 percent under its multicurrency Amended and Restated Credit Agreement (“Credit Agreement”). At September 30, 2017, the Company had $494.6 million of unused lines of credit, including $407.5 million under the committed, secured Credit Agreement, and $87.1 million available under various uncommitted lines around the world. The Credit Agreement has customary financial covenants related to interest coverage and leverage. These restrictions are not expected to impact the Company's operations. As of September 30, 2017, and currently, the Company had considerable cushion under its financial covenants.

Note 11: Derivative Instruments and Hedging Activities

The Company is exposed to fluctuations in foreign currency exchange rates on the earnings, cash flows and financial position of its international operations. Although this currency risk is partially mitigated by the natural hedge arising from the Company's local manufacturing in many markets, a strengthening U.S. dollar generally has a negative impact on the Company. In response, the Company uses financial instruments to hedge certain of its exposures and to manage the foreign exchange impact to its financial statements. At its inception, a derivative financial instrument is designated as a fair value, cash flow or net equity hedge.

Fair value hedges are entered into with financial instruments such as forward contracts, with the objective of limiting exposure to certain foreign exchange risks primarily associated with accounts payable and non-permanent intercompany transactions. For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative, as well as the offsetting gain or loss on the hedged item attributable to the hedged risk, are recognized in current earnings. In assessing hedge effectiveness, the Company excludes forward points, which are considered to be a component of interest expense. The forward points on fair value hedges resulted in pretax gains of $5.9 million and $3.4 million in the third quarters of 2017 and 2016, respectively, and $16.1 million and $11.2 million for the respective year-to-date periods.

The Company also uses derivative financial instruments to hedge foreign currency exposures resulting from certain forecasted purchases and classifies these as cash flow hedges. At initiation, the Company's cash flow hedge contracts are generally for periods ranging from one to fifteen months. The effective portion of the gain or loss on the hedging instrument is recorded in other comprehensive income and is reclassified into earnings as the transactions being hedged are recorded. As such, the balance at the end of the current reporting period in other comprehensive income, related to cash flow hedges, will generally be reclassified into earnings within the next twelve months. The associated asset or liability on the open hedges is recorded in other current assets or accrued liabilities, as applicable. In assessing hedge effectiveness, the Company excludes forward points, which are included as a component of interest expense.

Table of Contents
TUPPERWARE BRANDS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

The Company also uses financial instruments, such as forward contracts and certain euro denominated borrowings under its Credit Agreement, to hedge a portion of its net equity investment in international operations and classifies these as net equity hedges. Changes in the value of these financial instruments, excluding any ineffective portion of the hedges, are included in foreign currency translation adjustments within accumulated other comprehensive loss. The Company recorded, net of tax, in other comprehensive income a net loss of $3.8 million and $35.9 million associated with these hedges in the third quarter and year-to-date periods of 2017, respectively, and a net gain of $6.5 million and $9.9 million associated with such hedges for the respective periods of 2016. Due to the permanent nature of the investments, the Company does not anticipate reclassifying any portion of these amounts to the income statement in the next twelve months. In assessing hedge effectiveness, the Company excludes forward points, which are included as a component of interest expense.

While the forward contracts used for net equity and fair value hedges of non-permanent intercompany balances mitigate its exposure to foreign exchange gains or losses, they result in an impact to operating cash flows as they are settled, whereas the hedged items do not generate offsetting cash flows. The net cash flow impact of these currency hedges for the year-to-date periods ended September 30, 2017 and September 24, 2016 was an inflow of $5.8 million and an outflow of $5.6 million, respectively.

The Company considers the total notional value of its forward contracts as the best measure of the volume of derivative transactions. As of September 30, 2017 and December 31, 2016, the notional amounts of outstanding forward contracts to purchase currencies were $157.2 million and $116.7 million, respectively, and the notional amounts of outstanding forward contracts to sell currencies were $167.7 million and $109.6 million, respectively. As of September 30, 2017, the notional values of the largest positions outstanding were to purchase $123.4 million of U.S. dollars and $23.8 million of euro and to sell $46.4 million of Swiss francs and $36.7 million of Mexican pesos.

The following table summarizes the Company's derivative positions, which are the only assets and liabilities recorded at fair value on a recurring basis, and the impact they had on the Company's financial position as of September 30, 2017 and December 31, 2016. Fair values were determined based on third party quotations (Level 2 fair value measurement):

	Asset derivatives			Liability derivatives		
		Fair value			Fair value	
Derivatives designated as hedging instruments (in millions)	Balance sheet location	Sep 30, 2017	Dec 31, 2016	Balance sheet location	Sep 30, 2017	Dec 31, 2016
Foreign exchange contracts	Non-trade amounts receivable	$15.2	$ 41.1	Accrued liabilities	$23.0	$ 31.7

The following table summarizes the impact of the Company's fair value hedging positions on the results of operations for the third quarters of 2017 and 2016:

Derivatives designated as fair value hedges (in millions)	Location of gain or (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives		Location of gain or (loss) recognized in income on related hedged items	Amount of gain or (loss) recognized in income on related hedged items	
		2017	2016		2017	2016
Foreign exchange contracts	Other expense	$ 2.1	$ (11.7)	Other expense	$ (2.1)	$ 11.9

Table of Contents
TUPPERWARE BRANDS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

The following table summarizes the impact of the Company's hedging activities on comprehensive income for the third quarters of 2017 and 2016:

Cash flow and net equity hedges (in millions)	Amount of gain or (loss) recognized in OCI (effective portion)		Location of gain or (loss) reclassified from accumulated OCI into income (effective portion)	Amount of gain or (loss) reclassified from accumulated OCI into income (effective portion)		Location of gain or (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)	
Cash flow hedging relationships	2017	2016		2017	2016		2017	2016
Foreign exchange contracts	$ (0.5)	$ 1.4	Cost of products sold	$ (0.6)	$ 0.3	Interest expense	$ (1.2)	$ (1.4)
Net equity hedging relationships								
Foreign exchange contracts	(1.9)	9.3	Other expense	—	—	Interest expense	(6.7)	(5.4)
Euro denominated debt	(4.0)	0.8						

The following table summarizes the impact of the Company's fair value hedging positions on the results of operations for the year-to-date periods ended September 30, 2017 and September 24, 2016:

Derivatives designated as fair value hedges (in millions)	Location of gain or (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives		Location of gain or (loss) recognized in income on related hedged items	Amount of gain or (loss) recognized in income on related hedged items	
		2017	2016		2017	2016
Foreign exchange contracts	Other expense	$ 40.3	$ (23.3)	Other expense	$ (40.2)	$ 23.6

The following table summarizes the impact of the Company's hedging activities on comprehensive income for the year-to-date periods ended September 30, 2017 and September 24, 2016:

Cash flow and net equity hedges (in millions)	Amount of gain or (loss) recognized in OCI (effective portion)	Location of gain or (loss) reclassified from accumulated OCI into income (effective portion)	Amount of gain or (loss) reclassified from accumulated OCI into income (effective	Location of gain or (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in income (ineffective portion and amount excluded

				portion)			from effectiveness testing)	
Cash flow hedging relationships	2017	2016		2017	2016		2017	2016
Foreign exchange contracts	$ (6.5)	$ 0.9	Cost of products sold	$ 1.0	$ 4.3	Interest expense	$ (3.6)	$ (4.2)
Net equity hedging relationships								
Foreign exchange contracts	(45.1)	17.7	Other expense	—	—	Interest expense	(18.9)	(15.1)
Euro denominated debt	(10.9)	(2.2)						

16

Table of Contents

TUPPERWARE BRANDS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Note 12: Fair Value Measurements

Due to their short maturities or their insignificance, the carrying amounts of cash and cash equivalents, accounts and notes receivable, accounts payable, accrued liabilities and short-term borrowings approximated their fair values at September 30, 2017 and December 31, 2016. The Company estimates that, based on current market conditions, the value of its 4.75%, 2021 senior notes was $639.8 million at September 30, 2017, compared with the carrying value of $599.5 million. The higher fair value resulted from changes, since issuance, in the corporate debt markets and investor preferences. The fair value of debt is classified as a Level 2 liability, and is estimated using quoted market prices as provided in secondary markets that consider the Company's credit risk and market related conditions. See Note 11 to the Consolidated Financial Statements for discussion of the Company's derivative instruments and related fair value measurements.

Note 13: Retirement Benefit Plans

Components of net periodic benefit cost for the third quarter and year-to-date periods ended September 30, 2017 and September 24, 2016 were as follows:

	Third Quarter				Year-to-Date			
	Pension benefits		Post-retirement benefits		Pension benefits		Post-retirement benefits	
(In millions)	2017	2016	2017	2016	2017	2016	2017	2016
Service cost	$2.7	$2.7	$—	$0.1	$8.1	$8.1	$0.1	$0.1
Interest cost	1.4	1.6	0.2	0.2	4.2	4.8	0.5	0.6
Expected return on plan assets	(1.2)	(1.3)	—	—	(3.6)	(4.0)	—	—
Settlement/curtailment	0.1	0.9	—	—	0.9	1.5	—	—
Net amortization	0.4	0.4	(0.4)	(0.3)	1.0	1.2	(1.0)	(1.0)
Net periodic benefit cost	$3.4	$4.3	$(0.2)	$—	$10.6	$11.6	$(0.4)	$(0.3)

During the year-to-date periods ended September 30, 2017 and September 24, 2016, approximately $0.9 million and $1.7 million, respectively, of pretax expenses were reclassified from other comprehensive income to a component of net periodic benefit cost. As they relate to non-U.S. plans, the Company uses current exchange rates to make these reclassifications. The impact of exchange rate fluctuations is included on the net amortization line of the table above.

Note 14: Income Taxes

The effective tax rate for the third quarter and year-to-date periods of 2017 were 44.3 percent and 43.4 percent compared with 38.4 percent and 30.4 percent for the comparable 2016 periods. The change in the year-to-date rate was due to the impairment and other charges, for which limited tax benefits were available.

As of September 30, 2017 and December 31, 2016, the Company's gross unrecognized tax benefit was $18.9 million and $20.7 million, respectively. The Company estimates that as of September 30, 2017, approximately $18.3 million of the unrecognized tax benefits, if recognized, would impact the effective tax rate. Interest and penalties related to uncertain tax positions in the Company's global operations are recorded as a component of the provision for income taxes. Accrued interest and penalties were $7.8 million and $7.1 million as of the periods ended September 30, 2017 and December 31, 2016, respectively. For year-to-date 2017, the accrual for uncertain tax positions decreased by $3.1 million as a result of the closure of audits and statute limitation expirations in various jurisdictions.

Table of Contents
TUPPERWARE BRANDS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

The Company estimates that it may settle one or more audits in the next twelve months that may result in cash payments decreasing the amount of accrual for uncertain tax positions by up to $1.3 million. For the remaining balance as of September 30, 2017, the Company is not able to reliably estimate the timing or ultimate settlement amount. While the Company does not currently expect material changes, it is possible that the amount of unrecognized benefit with respect to the uncertain tax positions will significantly increase or decrease related to audits in various foreign jurisdictions that may conclude during that period or new developments that could also, in turn, impact the Company's assessment relative to the establishment of valuation allowances against certain existing deferred tax assets. These valuation allowances relate to tax assets in jurisdictions where it is management's best estimate that there is not a greater than 50 percent probability that the benefit of the assets will be realized in the associated tax returns. The likelihood of realizing the benefit of deferred tax assets is assessed on an ongoing basis. This assessment requires estimates as to future operating results, as well as an evaluation of the effectiveness of the Company's tax planning strategies. At this time, the Company is not able to make a reasonable estimate of the range of impact on the balance of unrecognized tax benefits or the impact on the effective tax rate related to these items.

Note 15: Statement of Cash Flow Supplemental Disclosure

Under the Company's stock incentive programs, in certain jurisdictions, employees are allowed to use shares retained by the Company to satisfy minimum statutorily required withholding taxes. In the year-to-date periods ended September 30, 2017 and September 24, 2016, 9,256 and 21,189 shares, respectively, were retained to fund withholding taxes, with values totaling $0.6 million and $1.1 million, respectively, which were included as stock repurchases in the Consolidated Statements of Cash Flows.

Note 16: Stock Based Compensation

Stock option activity for 2017 is summarized in the following table:

	Shares subject to option	Weighted average exercise price per share	Aggregate intrinsic value (in millions)
Outstanding at December 31, 2016	2,722,965	$ 57.78	
Expired / Forfeited	(42,087)	67.18	
Exercised	(202,486)	49.32	
Outstanding at September 30, 2017	2,478,392	$ 58.31	$ 13.9
Exercisable at September 30, 2017	1,374,991	$ 58.28	$ 9.8

The intrinsic value of options exercised totaled $4.0 million and $0.9 million in the year-to-date periods of 2017 and 2016, respectively, and was not material in the third quarters of 2017 and 2016.

The Company also has time-vested, performance-vested and market-vested share awards. The activity for such awards in 2017 is summarized in the following table:

	Shares outstanding	Weighted average grant date fair value
December 31, 2016	602,940	$ 61.28
Time-vested shares granted	37,683	65.03
Market-vested shares granted	25,170	61.29
Performance shares granted	76,615	60.39
Performance share adjustments	22,505	58.92
Vested	(60,037)	73.11
Forfeited	(41,275)	63.14
September 30, 2017	663,601	$ 60.12

18

Table of Contents
TUPPERWARE BRANDS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Compensation expense related to the Company's stock based compensation for the third quarter and year-to-date periods ended September 30, 2017 and September 24, 2016 were as follows:

	Third Quarter		Year-to-Date	
(In millions)	2017	2016	2017	2016
Stock options	$0.7	$0.6	$ 2.2	$ 1.9
Time, performance and market vested share awards	4.2	4.2	11.9	11.1

As of September 30, 2017, total unrecognized stock based compensation expense related to all stock based awards was $21.9 million, which is expected to be recognized over a weighted average period of 1.7 years.

Note 17: Allowance for Long-Term Receivables

As of September 30, 2017, $13.9 million of long-term receivables from both active and inactive customers were considered past due, the majority of which were reserved through the Company's allowance for uncollectible accounts. The balance of the allowance for long-term receivables as of September 30, 2017 was as follows:

(In millions)	
Balance at December 31, 2016	$11.0
Write-offs	(0.4)
Provision and reclassifications	4.3
Currency translation adjustment	1.6
Balance at September 30, 2017	$16.5

Note 18: Guarantor Information

The Company's payment obligations under its senior notes due in 2021 are fully and unconditionally guaranteed, on a senior secured basis, by Dart Industries Inc. (the "Guarantor"). The guarantee is secured by certain "Tupperware" trademarks and service marks owned by the Guarantor.

Condensed consolidated financial information as of September 30, 2017 and December 31, 2016 and for the quarter and year-to-date periods ended September 30, 2017 and September 24, 2016 for Tupperware Brands Corporation (the "Parent"), the Guarantor and all other subsidiaries (the "Non-Guarantors") is as follows.

Each entity in the consolidating financial information follows the same accounting policies as described in the consolidated financial statements, except for the use by the Parent and Guarantor of the equity method of accounting to reflect ownership interests in subsidiaries that are eliminated upon consolidation. The Guarantor is 100% owned by the Parent, and there are certain entities within the Non-Guarantors classification that the Parent owns directly. There are no significant restrictions on the ability of either the Parent or the Guarantor to obtain adequate funds from their respective subsidiaries by dividend or loan that should interfere with their ability to meet their operating needs or debt repayment obligations.

Table of Contents
TUPPERWARE BRANDS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Consolidating Statement of Income

	13 weeks ended September 30, 2017				
(In millions)	Parent	Guarantor	Non-Guarantors	Eliminations	Total
Net sales	$—	$ —	$ 541.5	$ (2.0)	$539.5
Other revenue	—	28.4	7.5	(35.9)	—
Cost of products sold	—	7.4	211.1	(35.8)	182.7
Gross margin	—	21.0	337.9	(2.1)	356.8
Delivery, sales and administrative expense	4.1	21.4	260.5	(2.1)	283.9
Re-engineering and impairment charges	—	0.7	8.3	—	9.0
Gains on disposal of assets	—	—	4.1	—	4.1
Operating income (loss)	(4.1)	(1.1)	73.2	—	68.0
Interest income	5.1	0.5	10.4	(15.2)	0.8
Interest expense	9.4	15.3	2.0	(15.2)	11.5
Income (loss) from equity investments in subsidiaries	35.8	46.9	—	(82.7)	—
Other expense (income)	—	(0.2)	1.1	—	0.9
Income (loss) before income taxes	27.4	31.2	80.5	(82.7)	56.4
Provision (benefit) for income taxes	(4.0)	(2.5)	31.5	—	25.0
Net income (loss)	$31.4	$ 33.7	$ 49.0	$ (82.7)	$31.4
Comprehensive income (loss)	$33.0	$ 38.3	$ 52.3	$ (90.6)	$33.0

Consolidating Statement of Income

	13 weeks ended September 24, 2016				
(In millions)	Parent	Guarantor	Non-Guarantors	Eliminations	Total
Net sales	$—	$ —	$ 523.1	$ (1.3)	$521.8
Other revenue	—	25.2	4.1		