
**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 September 30, 2020

Commission File Number 1-9608

NEWELL BRANDS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-3514169
(I.R.S. Employer
Identification No.)

6655 Peachtree Dunwoody Road,
Atlanta, Georgia 30328
(Address of principal executive offices)
(Zip Code)

Registrant's telephone number, including area code: (770) 418-7000

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	TRADING SYMBOL	NAME OF EXCHANGE ON WHICH REGISTERED
Common stock, \$1 par value per share	NWL	Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

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 No

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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.

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

Number of shares of common stock outstanding (net of treasury shares) as of October 26, 2020: 424.3 million.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
NEWELL BRANDS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(Amounts in millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales	\$ 2,699	\$ 2,569	\$ 6,696	\$ 7,091
Cost of products sold	1,785	1,722	4,501	4,724
Gross profit	914	847	2,195	2,367
Selling, general and administrative expenses	545	630	1,581	1,811
Restructuring costs, net	4	3	14	22
Impairment of goodwill, intangibles and other assets	2	1,071	1,482	1,148
Operating income (loss)	363	(857)	(882)	(614)
Non-operating expenses:				
Interest expense, net	71	75	205	233
Loss on extinguishment of debt	—	29	—	29
Other expense, net	9	7	20	33
Income (loss) before income taxes	283	(968)	(1,107)	(909)
Income tax benefit	(21)	(327)	(210)	(317)
Income (loss) from continuing operations	304	(641)	(897)	(592)
Income (loss) from discontinued operations, net of tax	—	15	—	(95)
Net income (loss)	\$ 304	\$ (626)	\$ (897)	\$ (687)
Weighted average common shares outstanding:				
Basic	424.3	423.4	424.1	423.3
Diluted	425.4	423.4	424.1	423.3
Earnings (loss) per share:				
Basic:				
Income (loss) from continuing operations	\$ 0.72	\$ (1.51)	\$ (2.12)	\$ (1.40)
Income (loss) from discontinued operations	—	0.03	—	(0.22)
Net income (loss)	<u>\$ 0.72</u>	<u>\$ (1.48)</u>	<u>\$ (2.12)</u>	<u>\$ (1.62)</u>
Diluted:				
Income (loss) from continuing operations	\$ 0.71	\$ (1.51)	\$ (2.12)	\$ (1.40)
Income (loss) from discontinued operations	—	0.03	—	(0.22)
Net income (loss)	<u>\$ 0.71</u>	<u>\$ (1.48)</u>	<u>\$ (2.12)</u>	<u>\$ (1.62)</u>

See Notes to Condensed Consolidated Financial Statements (Unaudited).

NEWELL BRANDS INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)***(Amounts in millions)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Comprehensive income (loss):				
Net income (loss)	\$ 304	\$ (626)	\$ (897)	\$ (687)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	24	(112)	(97)	(89)
Unrecognized pension and postretirement costs	1	(9)	12	(33)
Derivative financial instruments	(7)	5	17	(3)
Total other comprehensive income (loss), net of tax	18	(116)	(68)	(125)
Comprehensive income (loss)	\$ 322	\$ (742)	\$ (965)	\$ (812)

See Notes to Condensed Consolidated Financial Statements (Unaudited).

NEWELL BRANDS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(Amounts in millions, except par values)

	September 30, 2020	December 31, 2019
Assets:		
Cash and cash equivalents	\$ 858	\$ 349
Accounts receivable, net	1,814	1,842
Inventories	1,718	1,606
Prepaid expenses and other	314	313
Total current assets	4,704	4,110
Property, plant and equipment, net	1,115	1,155
Operating lease assets, net	543	615
Goodwill	3,523	3,709
Other intangible assets, net	3,567	4,916
Deferred income taxes	882	776
Other assets	386	361
Total assets	<u>\$ 14,720</u>	<u>\$ 15,642</u>
Liabilities:		
Accounts payable	\$ 1,415	\$ 1,102
Accrued compensation	216	204
Other accrued liabilities	1,380	1,340
Short-term debt and current portion of long-term debt	97	332
Total current liabilities	3,108	2,978
Long-term debt	5,794	5,391
Deferred income taxes	463	625
Long-term operating lease liabilities	485	541
Other noncurrent liabilities	1,120	1,111
Total liabilities	10,970	10,646
Commitments and contingencies (Footnote 18)		
Stockholders' equity:		
Preferred stock (10.0 authorized shares, \$1.00 par value, no shares issued at September 30, 2020 and December 31, 2019)	—	—
Common stock (800.0 authorized shares, \$1.00 par value, 448.3 shares and 447.1 shares issued at September 30, 2020 and December 31, 2019)	448	447
Treasury stock, at cost (24.0 shares and 23.6 shares issued at September 30, 2020 and December 31, 2019)	(597)	(590)
Additional paid-in capital	8,164	8,430
Retained deficit	(3,301)	(2,404)
Accumulated other comprehensive loss	(988)	(920)
Stockholders' equity attributable to parent	3,726	4,963
Stockholders' equity attributable to noncontrolling interests	24	33
Total stockholders' equity	3,750	4,996
Total liabilities and stockholders' equity	<u>\$ 14,720</u>	<u>\$ 15,642</u>

See Notes to Condensed Consolidated Financial Statements (Unaudited).

NEWELL BRANDS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(Amounts in millions)

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (897)	\$ (687)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	267	325
Impairment of goodwill, intangibles and other assets	1,482	1,260
Loss from sale of businesses, net	9	—
Deferred income taxes	(293)	(296)
Stock based compensation expense	28	29
Loss on change in fair value of investments	1	19
Other, net	—	4
Changes in operating accounts excluding the effects of divestitures:		
Accounts receivable	(19)	146
Inventories	(139)	(246)
Accounts payable	323	(30)
Accrued liabilities and other	58	(100)
Net cash provided by operating activities	820	424
Cash flows from investing activities:		
Proceeds from sale of divested businesses	15	754
Capital expenditures	(158)	(172)
Other investing activities, net	5	(1)
Net cash provided by (used in) investing activities	(138)	581
Cash flows from financing activities:		
Net short-term debt	(26)	279
Proceeds from issuance of debt, net of debt issuance costs	492	—
Payments on current portion of long-term debt	(305)	(268)
Payments on long-term debt	(19)	(706)
Loss on extinguishment of debt	—	(31)
Cash dividends	(294)	(293)
Equity compensation activity and other, net	(22)	(5)
Net cash used in financing activities	(174)	(1,024)
Exchange rate effect on cash, cash equivalents and restricted cash	(14)	(11)
Increase (decrease) in cash, cash equivalents and restricted cash	494	(30)
Cash, cash equivalents and restricted cash at beginning of period	371	496
Cash, cash equivalents and restricted cash at end of period	\$ 865	\$ 466
Supplemental disclosures:		
Restricted cash at beginning of period	\$ 22	\$ —
Restricted cash at end of period	7	—
Net cash provided by discontinued operating activities	—	15
Net cash provided by discontinued investing activities	—	738
Capital expenditures for discontinued operations	—	15

See Notes to Condensed Consolidated Financial Statements (Unaudited).

NEWELL BRANDS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)
(Amounts in millions)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Stockholders' Equity Attributable to Parent	Noncontrolling Interest	Total Stockholders' Equity
Balance at June 30, 2020	\$ 448	\$ (597)	\$ 8,252	\$ (3,605)	\$ (1,006)	\$ 3,492	\$ 24	\$ 3,516
Comprehensive income	—	—	—	304	18	322	—	322
Dividends declared on common stock	—	—	(98)	—	—	(98)	—	(98)
Equity compensation, net of tax	—	—	10	—	—	10	—	10
Balance at September 30, 2020	\$ 448	\$ (597)	\$ 8,164	\$ (3,301)	\$ (988)	\$ 3,726	\$ 24	\$ 3,750
Balance at December 31, 2019	\$ 447	\$ (590)	\$ 8,430	\$ (2,404)	\$ (920)	\$ 4,963	\$ 33	\$ 4,996
Comprehensive loss	—	—	—	(897)	(68)	(965)	—	(965)
Dividends declared on common stock	—	—	(293)	—	—	(293)	—	(293)
Equity compensation, net of tax	1	(7)	27	—	—	21	—	21
Distribution to non-controlling interests holder	—	—	—	—	—	—	(3)	(3)
Other	—	—	—	—	—	—	(6)	(6)
Balance at September 30, 2020	\$ 448	\$ (597)	\$ 8,164	\$ (3,301)	\$ (988)	\$ 3,726	\$ 24	\$ 3,750

	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Stockholders' Equity Attributable to Parent	Noncontrolling Interest	Total Stockholders' Equity
Balance at June 30, 2019	\$ 447	\$ (589)	\$ 8,605	\$ (2,572)	\$ (922)	\$ 4,969	\$ 35	\$ 5,004
Comprehensive loss	—	—	—	(626)	(116)	(742)	—	(742)
Dividends declared on common stock	—	—	(98)	—	—	(98)	—	(98)
Equity compensation, net of tax	—	—	9	—	—	9	—	9
Portion of net loss attributable to non-controlling interests	—	—	—	—	—	—	(4)	(4)
Balance at September 30, 2019	\$ 447	\$ (589)	\$ 8,516	\$ (3,198)	\$ (1,038)	\$ 4,138	\$ 31	\$ 4,169
Balance at December 31, 2018	\$ 446	\$ (585)	\$ 8,781	\$ (2,511)	\$ (913)	\$ 5,218	\$ 35	\$ 5,253
Comprehensive loss	—	—	—	(687)	(125)	(812)	—	(812)
Dividends declared on common stock	—	—	(294)	—	—	(294)	—	(294)
Equity compensation, net of tax	1	(4)	29	—	—	26	—	26
Portion of net loss attributable to non-controlling interests	—	—	—	—	—	—	(4)	(4)
Balance at September 30, 2019	\$ 447	\$ (589)	\$ 8,516	\$ (3,198)	\$ (1,038)	\$ 4,138	\$ 31	\$ 4,169

See Notes to Condensed Consolidated Financial Statements (Unaudited).

NEWELL BRANDS INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Footnote 1 — Basis of Presentation and Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements of Newell Brands Inc. (collectively with its subsidiaries, the “Company”) have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (the “SEC”) and do not include all of the information and footnotes required by U.S. generally accepted accounting principles (“U.S. GAAP”) for complete financial statements. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments (including normal recurring accruals) considered necessary for a fair statement of the financial position and the results of operations of the Company. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements, and the footnotes thereto, included in the Company’s most recent Annual Report on Form 10-K. The Condensed Consolidated Balance Sheet at December 31, 2019, has been derived from the audited financial statements as of that date, but it does not include all the information and footnotes required by U.S. GAAP for a complete financial statement. Certain reclassifications have been made in the Company’s financial statements of the prior year to conform to the current year presentation.

In connection with the Company’s previous decision to retain the Mapa/Spontex and Quickie businesses, the Company realigned its management reporting structure in the fourth quarter of 2019. Additional changes to the Company’s management reporting structure were made by the chief operating decision maker (“CODM”) during the second quarter of 2020 which resulted in a further realignment of its reportable segments. As a result, the Company operates and reports financial information in the following five reportable segments: Appliances and Cookware, Commercial Solutions, Home Solutions, Learning and Development, and Outdoor and Recreation. The Company also provides general corporate services to its segments which will be reported as a non-operating segment, Corporate (see Footnote 17). All prior periods have been reclassified to conform to the current reporting structure.

Use of Estimates and Risks & Uncertainty of Coronavirus (COVID-19)

Beginning late in the fourth quarter 2019 and into 2020, a novel strain of the coronavirus, or COVID-19, initially resulted in travel disruption and impacted portions of the Company’s and its suppliers’ operations in China. The subsequent spread of COVID-19 developed into a global pandemic, impacting the economies of most countries around the world. The Company’s global operations, similar to those of many large, multi-national corporations, have been adversely impacted by the COVID-19 pandemic.

During the first quarter of 2020, the Company concluded that an impairment triggering event had occurred for all of its reporting units as the Company had experienced significant COVID-19 related disruption to its business in three primary areas: supply chain, as certain manufacturing and distribution facilities were temporarily closed in line with government guidelines; the temporary closure of secondary customer retail stores as well, as the Company’s Yankee Candle retail stores in North America; and changes in consumer demand patterns to certain focused categories. As a result, the Company performed an impairment test for its goodwill and indefinite-lived intangible assets. In addition, the Company performed a recoverability test for its long-lived assets, which primarily include finite-lived intangible assets, property plant and equipment and right of use lease assets. As a result of the impairment testing performed in connection with the triggering event, the Company determined that certain of its goodwill, indefinite-lived intangible assets, property plant and equipment and right of use operating leases assets were impaired. During the first quarter of 2020, the Company recorded an aggregate non-cash charge of approximately \$1.5 billion in connection with these impairments. See Footnotes 6, 7 and 13 for further information.

While the negative effects from the COVID-19 global pandemic in the first half of 2020 were material to the Company’s operating results, the Company has seen positive sequential momentum and experienced 5% year-over-year net sales growth during the third quarter of 2020. Due to this performance, the Company remains optimistic for improvement in its financial results for the second half of 2020; however, it believes the extent of the impact of the COVID-19 pandemic to its businesses, operating results, cash flows, liquidity and financial condition will be primarily driven by the severity and duration of the pandemic, the pandemic’s impact on the U.S. and global economies and the timing, scope and effectiveness of federal, state and local governmental responses to the pandemic, especially in areas where conditions have recently worsened. Those primary drivers are beyond the Company’s knowledge and control, and as a result, at this time it is difficult to predict the cumulative impact, both in terms of severity and duration, COVID-19 will have on its sales, operating results, cash flows, liquidity and financial condition. Furthermore, the impact to the Company’s businesses, operating results, cash flows, liquidity and financial condition may be further adversely impacted if COVID-19 global pandemic continues to exist or worsens for a prolonged period of time.

The consolidated condensed financial statements are prepared in conformity with U.S. GAAP. Management’s application of U.S. GAAP requires the pervasive use of estimates and assumptions in preparing the unaudited condensed consolidated financial

statements. As discussed above, the world is currently experiencing the global COVID-19 pandemic which has required greater use of estimates and assumptions in the preparation of our condensed consolidated financial statements, more specifically, those estimates and assumptions utilized in the Company's forecasted cash flows that form the basis in developing the fair values utilized in its impairment assessments as well as annual effective tax rate. This has included assumptions as to the duration and severity of the pandemic, timing and amount of demand shifts amongst sales channels, workforce availability, supply chain continuity, and timing as to a return to normalcy. Although we have made our best estimates based upon current information, the effects of the COVID-19 pandemic on our business may result in future changes to management's estimates and assumptions, especially if the severity of the pandemic worsens or duration lengthens. Actual results could materially differ from the estimates and assumptions developed by management. If so, the Company may be subject to future incremental impairment charges as well as changes to recorded reserves and valuations.

Discontinued Operations

On December 31, 2019, the Company completed the sale of The United States Playing Card Company and other related subsidiaries ("Playing Cards business") to Cartamundi Inc. and Cartamundi España S.L., which completed its previously announced Accelerated Transformation Plan ("ATP").

In connection with the ATP, the Company completed the sale of several businesses during 2018 and 2019. In 2018, the Company sold Goody Products, Inc. ("Goody"), Jostens, Inc. ("Jostens"), Pure Fishing, Inc. ("Pure Fishing"), the Rawlings Sporting Goods Company, Inc. ("Rawlings"), The Waddington Group, Inc. ("Waddington") and other related subsidiaries. In 2019, the Company sold the Process Solutions business, Rexair Holdings Inc. ("Rexair") and the Playing Cards business. These businesses were classified as discontinued operations in periods prior to January 1, 2020.

Seasonal Variations

Sales of the Company's products tend to be seasonal, with sales, operating income and operating cash flow in the first quarter generally lower than any other quarter during the year, driven principally by reduced volume and the mix of products sold in the first quarter. The seasonality of the Company's sales volume combined with the accounting for fixed costs, such as depreciation, amortization, rent, personnel costs and interest expense, impacts the Company's results on a quarterly basis. In addition, the Company typically tends to generate the majority of its operating cash flow in the third and fourth quarters of the year due to seasonal variations in operating results, the timing of annual performance-based compensation payments, customer program payments, working capital requirements and credit terms provided to customers. Accordingly, the Company's results of operations for the three and nine months ended September 30, 2020 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2020.

Recent Accounting Pronouncements

Changes to U.S. GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of accounting standards updates ("ASUs") to the FASB's Accounting Standards Codification. The Company considers the applicability and impact of all ASUs.

In August 2018, the FASB 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.*" ASU 2018-14 modifies disclosure requirements for defined benefit pension and other postretirement plans. ASU 2018-14 is effective for fiscal years ending after December 15, 2020. Since ASU 2018-14 only impacts the disclosure requirements related to defined benefit pension and other postretirement plans, the adoption of ASU 2018-14 will not have a material impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, "*Simplifying the Accounting for Income Taxes*" (Topic 740). ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for years, and interim periods within those years, beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the potential effects of the adoption of ASU 2019-12.

In March 2020, the FASB issued ASU 2020-04, “*Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*.” ASU 2020-04 provides optional expedients and exceptions to account for contracts, hedging relationships and other transactions that reference LIBOR or another reference rate if certain criteria are met. ASU 2020-04 may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company is currently evaluating the potential effects of the adoption of ASU 2020-04.

Adoption of New Accounting Guidance

The Company’s accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements included in our 2019 Annual Report on Form 10-K. Such significant accounting policies are applicable for periods prior to the adoption of the following new accounting standards and updated accounting policies.

In June 2016, the FASB issued ASU 2016-13, “*Measurement of Credit Losses on Financial Instruments*.” ASU 2016-13 involves several aspects of the accounting for credit losses related to certain financial instruments including assets measured at amortized cost, available-for-sale debt securities and certain off-balance sheet commitments. ASU 2016-13, and subsequent updates, broadens the information that an entity must consider in developing its estimated credit losses expected to occur over the remaining life of assets measured either collectively or individually to include historical experience, current conditions and reasonable and supportable forecasts, replacing the existing incurred credit loss model and other models with the Current Expected Credit Losses (“CECL”) model. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019. The Company adopted ASU 2016-13 on a modified retrospective basis effective January 1, 2020. The adoption of ASU 2016-03 did not have a material impact on the Company’s consolidated financial statements. The Company’s reserves for expected credit losses at September 30, 2020 and December 31, 2019 were \$37 million and \$29 million respectively.

In August 2018, the FASB issued 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 clarifies the accounting treatment for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. ASU 2018-15 is effective for public business entities for years, and interim periods within those years, beginning after December 15, 2019. The Company adopted ASU 2018-15 prospectively to all implementation costs incurred after January 1, 2020, the date of adoption. The adoption of ASU 2018-15 did not have a material impact on the Company’s consolidated financial statements.

Sales of Accounts Receivables

During the first quarter of 2020, the Company amended its existing factoring agreement (the “Customer Receivables Purchase Agreement”) to increase the amount of certain customer receivables that may be sold. The balance of factored receivables at the end of the third quarter of 2020 was approximately \$350 million, an increase of approximately \$150 million from the balance at December 31, 2019. Transactions under this agreement continue to be accounted for as sales of accounts receivable, and the receivables sold are removed from the Condensed Consolidated Balance Sheet at the time of the sales transaction. The Company classifies the proceeds received from the sales of accounts receivable as an operating cash flow in the unaudited Condensed Consolidated Statement of Cash Flows. The Company records the discount as other expense, net in the Condensed Consolidated Statement of Operations and collections of accounts receivables not yet submitted to the financial institution as a financing cash flow.

Footnote 2 — Divestitures and Held for Sale***Discontinued Operations***

The Company completed its previously announced ATP on December 31, 2019. As such, there were no businesses held for sale at September 30, 2020, nor income or loss from discontinued operations for the three and nine months ended September 30, 2020. The following table provides a summary of amounts included in discontinued operations for the 2019 periods indicated (in millions):

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Net sales	\$ 29	\$ 332
Cost of products sold	18	245
Gross profit	11	87
Selling, general and administrative expenses	4	42
Impairment of goodwill, intangibles and other assets	—	112
Operating income (loss)	7	(67)
Non-operating income, net	(2)	(2)
Income (loss) before income taxes	9	(65)
Income tax provision (benefit)	(6)	30
Net income (loss)	<u>\$ 15</u>	<u>\$ (95)</u>

Divestiture Activity

On August 31, 2020, the Company divested the foam board product line in its Learning and Development segment. As a result, during the three and nine months ended September 30, 2020, the Company recorded a pretax loss of \$8 million, which is included in the other expense, net in the Condensed Consolidated Statements of Operations.

On May 1, 2019, the Company sold its Rexair business to investment funds affiliated with Rhône Capital for approximately \$235 million, subject to customary working capital and other post-closing adjustments. As a result, during the three and nine months ended September 30, 2019, the Company recorded a pretax loss of \$4 million and net pretax gain of \$2 million, respectively, which is included in the net income (loss) from discontinued operations.

On May 1, 2019, the Company sold its Process Solutions business to an affiliate of One Rock Capital Partners, LLC, for approximately \$500 million, subject to customary working capital and other post-closing adjustments. As a result, during the three and nine months ended September 30, 2019, the company recorded a pretax gain of \$13 million and net pretax loss of \$9 million, respectively, which is included in the net income (loss) from discontinued operations.

On December 31, 2019, the Company sold its Playing Cards business to Cartamundi Inc. and Cartamundi España S.L. for approximately \$220 million, subject to customary working capital and other post-closing adjustments.

During the nine months ended September 30, 2019, the Company recorded impairment charges totaling \$112 million, which were included in the loss from discontinued operations, related to the write-down of the carrying value of the net assets of certain held for sale businesses based on their estimated fair value.

Footnote 3 — Accumulated Other Comprehensive Loss

The following tables display the changes in Accumulated Other Comprehensive Loss (“AOCL”) by component, net of tax, for the nine months ended September 30, 2020 (in millions):

	Cumulative Translation Adjustment	Pension and Postretirement Costs	Derivative Financial Instruments	AOCL
Balance at December 31, 2019	\$ (479)	\$ (399)	\$ (42)	\$ (920)
Other comprehensive income (loss) before reclassifications	(97)	(2)	21	(78)
Amounts reclassified to earnings	—	14	(4)	10
Net current period other comprehensive income (loss)	(97)	12	17	(68)
Balance at September 30, 2020	<u>\$ (576)</u>	<u>\$ (387)</u>	<u>\$ (25)</u>	<u>\$ (988)</u>

For the three months ended September 30, 2020 and 2019, reclassifications from AOCL to the results of operations for the Company’s pension and postretirement benefit plans were a pretax expense of \$6 million and \$2 million, respectively. For the nine months ended September 30, 2020 and 2019, reclassifications from AOCL to the results of operations for the Company’s pension and postretirement benefit plans were a pretax expense of \$17 million and \$6 million, respectively. These reclassifications primarily represent the amortization of net actuarial losses (see Footnote 11). These costs are recorded in other expense, net. For the three months ended September 30, 2020 and 2019, reclassifications from AOCL to the results of operations for the Company’s derivative financial instruments for effective cash flow hedges were pretax income of \$6 million and nil, respectively, and pretax income of \$5 million for both the nine months ended September 30, 2020 and 2019 (see Footnote 10).

The income tax (expense) benefit allocated to the components of AOCL for the periods indicated are as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Foreign currency translation adjustments	\$ 12	\$ —	\$ 11	\$ —
Unrecognized pension and postretirement costs	(1)	3	(3)	11
Derivative financial instruments	2	(1)	(5)	1
Income tax benefit related to AOCL	<u>\$ 13</u>	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 12</u>

Footnote 4 — Restructuring Costs

Restructuring provisions were determined based on estimates prepared at the time the restructuring actions were approved by management and are periodically updated for changes. Restructuring amounts also include amounts recognized as incurred.

Restructuring costs, net incurred by reportable business segments for all restructuring activities in continuing operations for the periods indicated are as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Appliances and Cookware	\$ 1	\$ —	\$ 1	\$ 2
Commercial Solutions	—	—	2	1
Home Solutions	1	1	6	7
Learning and Development	1	—	2	5
Outdoor and Recreation	1	1	2	2
Corporate	—	1	1	5
	<u>\$ 4</u>	<u>\$ 3</u>	<u>\$ 14</u>	<u>\$ 22</u>

Accrued restructuring costs activity for the nine months ended September 30, 2020 are as follows (in millions):

	Balance at December 31, 2019	Restructuring Costs, Net	Payments	Balance at September 30, 2020
Employee severance and termination benefits	\$ 10	\$ 12	\$ (14)	\$ 8
Exited contractual commitments and other	12	2	(7)	7
	<u>\$ 22</u>	<u>\$ 14</u>	<u>\$ (21)</u>	<u>\$ 15</u>

2020 Restructuring Plan

The Company's 2020 restructuring program, which was initiated during the second quarter of 2020 largely in response to the impact of the COVID-19 pandemic, was designed to reduce overhead costs, streamline certain underperforming operations and improve future profitability. The restructuring costs, which impact all segments, include employee-related costs, including severance and other termination benefits. During the three and nine months ended September 30, 2020, the Company recorded restructuring charges of \$4 million and \$12 million, respectively, in connection with the program. The Company currently estimates aggregate restructuring charges of approximately \$20 million to \$25 million to be incurred over the entirety of 2020 and into 2021 in connection with the program. All cash payments are expected to be paid within one year of charges incurred.

Accelerated Transformation Plan

The Company's ATP, which was initiated during the first quarter of 2018 and completed at the end of 2019, was designed in part, to divest the Company's non-core consumer businesses and focus on the realignment of the Company's management structure and overall cost structure as a result of the completed divestitures. Restructuring costs associated with the ATP included employee-related costs, including severance, retirement and other termination benefits, as well as contract termination costs and other costs.

Other Restructuring-Related Costs

The Company regularly incurs other restructuring-related costs in connection with various discrete initiatives which are recorded in cost of products sold and selling, general and administrative expense ("SG&A") in the Condensed Consolidated Statements of Operations based on the nature of the underlying costs incurred.

Footnote 5 — Inventories

Inventories are comprised of the following at the dates indicated (in millions):

	September 30, 2020	December 31, 2019
Raw materials and supplies	\$ 275	\$ 231
Work-in-process	146	135
Finished products	1,297	1,240
	<u>\$ 1,718</u>	<u>\$ 1,606</u>

Footnote 6 — Property, Plant and Equipment, Net

Property, plant and equipment, net, is comprised of the following at the dates indicated (in millions):

	September 30, 2020	December 31, 2019
Land	\$ 83	\$ 86
Buildings and improvements	644	641
Machinery and equipment	2,221	2,151
	<u>2,948</u>	<u>2,878</u>
Less: Accumulated depreciation	<u>(1,833)</u>	<u>(1,723)</u>
	<u>\$ 1,115</u>	<u>\$ 1,155</u>

Depreciation expense for continuing operations was \$52 million and \$99 million for the three months ended September 30, 2020 and 2019, respectively, and \$146 million and \$180 million for the nine months ended September 30, 2020 and 2019, respectively. Depreciation expense for discontinued operations was nil for the three and nine months ended September 30, 2019, as the Company ceased depreciating property, plant and equipment relating to businesses which satisfied the criteria to be classified as held for sale.

In 2018, as part of the ATP, the Company approved a plan to market for sale the Rubbermaid Commercial Products, Rubbermaid Outdoor, Closet, Refuse, Garage and Cleaning businesses (the "Commercial Business"). This business had been classified as held for sale in the Company's historical Condensed Consolidated Balance Sheets. During the third quarter of 2019, due to a change in strategy, the Company decided not to sell the business. As a result, the business no longer satisfied the requirements to be classified as held for sale in the Company's Condensed Consolidated Balance Sheet as of September 30, 2019. The Company measured the business at the lower of its (i) carrying amount before it was classified as held for sale, adjusted for depreciation and amortization expense that would have been recognized had the business been continuously classified as held and used, or (ii) fair value at the date the decision not to sell was made. The Company recorded a charge of \$36 million in the third quarter of 2019 relating to the amount of depreciation expense that would have been recorded in prior periods had the asset been continuously classified as held and used.

During the first quarter of 2020, the Company concluded that a triggering event had occurred for all of its reporting units as a result of the COVID-19 pandemic. Pursuant to the authoritative accounting literature, the Company compared the sum of the undiscounted future cash flows attributable to the asset or group of assets (the lowest level for which identifiable cash flows are available) to their respective carrying amount. As a result of the impairment testing performed in connection with the triggering event, the Company recorded a non-cash fixed asset impairment charge of approximately \$1 million during the nine months ended September 30, 2020, in the Home Solutions segment associated with its Yankee Candle retail store business. The impairment charge was calculated by subtracting the estimated fair value of the asset group from its carrying value.

Footnote 7 — Goodwill and Other Intangible Assets, Net

Goodwill activity for the nine months ended September 30, 2020 is as follows (in millions):

Segments	Net Book Value at December 31, 2019	Impairment Charges	Foreign Exchange and Other	September 30, 2020		
				Gross Carrying Amount	Accumulated Impairment Charges	Net Book Value
Appliances and Cookware	\$ 212	\$ (212)	\$ —	\$ 744	\$ (744)	\$ —
Commercial Solutions	747	—	—	1,241	(494)	747
Home Solutions	164	—	—	2,392	(2,228)	164
Learning and Development	2,586	—	26	3,458	(846)	2,612
Outdoor and Recreation	—	—	—	788	(788)	—
	<u>\$ 3,709</u>	<u>\$ (212)</u>	<u>\$ 26</u>	<u>\$ 8,623</u>	<u>\$ (5,100)</u>	<u>\$ 3,523</u>

During the third quarter of 2020, the Company divested a product line in its Learning and Development segment and allocated \$3 million of reporting unit goodwill to the calculation of loss on disposal of business. This reduction of reporting unit goodwill is included in Foreign Exchange and Other in the table above.

During the first quarter of 2020, the Company concluded that a triggering event had occurred for all of its reporting units as a result of the COVID-19 global pandemic. Pursuant to the authoritative literature, the Company performed an impairment test and determined that the goodwill associated with its Appliances and Cookware reporting unit was fully impaired. During the nine months ended September 30, 2020, the Company recorded an impairment charge of \$212 million to reflect the impairment of its goodwill. See Footnote 1 for further information.

During the three and nine months ended September 30, 2019, the Company recorded an impairment charge of \$83 million and \$157 million, respectively, to reflect a decrease in the carrying values of Mapa/Spontex and Quickie while these businesses were classified as held for sale.

During the third quarter of 2019, in connection with the Company's state income tax payable/receivable reconciliation process, the Company identified that its state income tax receivable was overstated by \$20 million. Upon further analysis, the Company determined the \$20 million state income tax receivable was recorded during March 2017 with a corresponding reduction to goodwill. As such, the Company recorded an entry to increase goodwill with a corresponding reduction to its state income tax receivable for \$20 million. The Company was required to allocate the goodwill to the Company's businesses and reporting units to determine whether or not the goodwill should have been included in the carrying value of a disposal group or reporting unit that was previously sold or impaired. Based on its analysis, the Company concluded that the entire \$20 million goodwill balance would have been impaired or recognized as a loss on disposal in previously issued financial statements. The Company concluded the effects of such adjustments are not material to the current period or previously issued financial statements. As such, the Company recorded pretax out-of-period impairment charges of \$12 million reflected in loss from continuing operations and \$8 million (\$6 million after tax) loss on sale of divested businesses, included in loss from discontinued operations, net of tax, in the Company's Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2019.

Other intangible assets, net, are comprised of the following at the dates indicated (in millions):

	September 30, 2020			December 31, 2019			Amortization Periods (in years)
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value	
Trade names — indefinite life	\$ 2,315	\$ —	\$ 2,315	\$ 3,560	\$ —	\$ 3,560	N/A
Trade names — other	158	(55)	103	169	(50)	119	2-15
Capitalized software	620	(475)	145	587	(435)	152	3-12
Patents and intellectual property	123	(104)	19	135	(102)	33	3-14
Customer relationships and distributor channels	1,251	(266)	985	1,328	(283)	1,045	3-30
Other	—	—	—	109	(102)	7	3-5
	<u>\$ 4,467</u>	<u>\$ (900)</u>	<u>\$ 3,567</u>	<u>\$ 5,888</u>	<u>\$ (972)</u>	<u>\$ 4,916</u>	

Amortization expense for intangible assets for continuing operations was \$39 million and \$52 million for the three months ended September 30, 2020 and 2019, respectively, and \$121 million and \$145 million for the nine months ended September 30, 2020 and 2019, respectively. Amortization expense for intangible assets for discontinued operations was nil for the three and nine months ended September 30, 2019, as the Company ceased amortizing other finite-lived intangible assets relating to businesses which satisfied the criteria to be classified as held for sale.

In 2018, as part of the ATP, the Company approved a plan to market for sale the Commercial Business. This business had been classified as held for sale in the Company's historical Consolidated Balance Sheets. During the third quarter of 2019, due to a change in strategy, the Company decided not to sell the business. As a result, the business no longer satisfied the requirements to be classified as held for sale in the Company's Consolidated Balance Sheet as of September 30, 2019. The Company measured the business at the lower of its (i) carrying amount before it was classified as held for sale, adjusted for depreciation and amortization expense that would have been recognized had the business been continuously classified as held and used, or (ii) fair value at the date the decision not to sell was made. The Company recorded a charge of \$4 million in the third quarter of 2019 relating to the amount of amortization expense that would have been recorded in prior periods had the asset been continuously classified as held and used.

During the third quarter of 2020, the Company concluded that a triggering event had occurred for an indefinite-lived intangible asset in the Learning and Development segment as a result of a product line divestiture. Pursuant to the authoritative literature, the Company performed an impairment test and determined that the indefinite-lived intangible asset was impaired as its carrying value exceeded its fair value. During the three and nine months ended September 30, 2020, the Company recorded a non-cash charge of \$2 million to reflect the impairment of this indefinite-lived intangible asset.

As a result of the impairment testing performed in connection with the COVID-19 pandemic triggering event during the first quarter of 2020, the Company determined that certain of its indefinite-lived intangible assets in the Appliances and Cookware, Commercial Solutions, Home Solutions, Learning and Development and Outdoor and Recreation segments were impaired. During the nine months ended September 30, 2020, the Company recorded impairment charges of \$1.3 billion to reflect impairment of these indefinite-lived trade names because their carrying values exceeded their fair values.

During the three months ended September 30, 2019, as a result of the Company's annual other indefinite-lived intangible impairment testing, the Company recorded impairment charges of \$976 million to reflect impairment of intangible assets related to certain of the Company's indefinite-lived trade names.

The impairment charges were allocated to the Company's reporting segments as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019 (1)	2020	2019 (1)
Impairment of indefinite-lived intangibles assets				
Appliances and Cookware	\$ —	\$ 607	\$ 87	\$ 607
Commercial Solutions	—	152	320	152
Home Solutions	—	152	290	152
Learning and Development	2	—	80	—
Outdoor and Recreation	—	65	482	65
	<u>\$ 2</u>	<u>\$ 976</u>	<u>\$ 1,259</u>	<u>\$ 976</u>

- (1) In the Appliances and Cookware segment, the impairment charge was recorded within the Appliances and Cookware reporting unit. In the Commercial Solutions segment, impairment charges of \$130 million and \$22 million were recorded in the Quicke and Mapa/Spontex businesses, respectively. In the Home Solutions segment, impairment charge of \$152 million was recorded within the Home Fragrance reporting unit. In the Outdoor and Recreation segment, the impairment charge was recorded within Outdoor and Recreation reporting unit. The carrying value of certain Appliances and Cookware trade names exceeded their fair value primarily due to the announced tariffs on Chinese imports as well as a decline in sales volume due to a loss in market share for certain appliance categories driven by the success of newly launched competitive products. Both of these factors resulted in downward revisions to forecasted results. The carrying value of certain Home Solutions trade names exceeded their fair value primarily within the Home Fragrance reporting unit.

The Company believes the circumstances and global disruption caused by COVID-19 will continue to affect its businesses, operating results, cash flows and financial condition and that the scope and duration of the pandemic is highly uncertain. In addition, some of the other inherent estimates and assumptions used in determining fair value of the reporting units are outside the control of management, including interest rates, cost of capital, tax rates, industry growth, credit ratings, foreign exchange rates, labor inflation and tariffs, including the current trade negotiations with China. Given the uncertainty of these factors, as well as the inherent difficulty in predicting the severity and duration of the COVID-19 global pandemic and associated recovery and the uncertainties regarding the potential financial impact on the Company's business and the overall economy, there can be no assurance that the Company's estimates and assumptions made for purposes of the goodwill and indefinite-lived intangible asset impairment testing performed during the first quarter of 2020 will prove to be accurate predictions of the future.

In addition, as a result of several impairment charges recorded over the past three years and most recently at September 30, 2020, some of the Company's reporting units and several of the Company's indefinite-lived tradenames were either recorded at fair value or with fair values within 10% of the associated carrying values. While the Company believes it has made reasonable estimates and assumptions to calculate the fair values of the reporting units and other indefinite-lived intangible assets which were based on facts and circumstances known at this time, it is possible that new events may occur or actual events may result in forecasted cash flows, revenue and earnings that differ from those that formed the basis of the Company's estimates and assumptions. For each of the Company's reporting units, particularly if the global pandemic caused by COVID-19 continues to persist for an extended period of time, the reporting unit's actual results could be materially different from the Company's estimates and assumptions used to calculate fair value. If so, the Company may be required to recognize material impairments to goodwill and/or indefinite-lived intangible assets. The Company will continue to monitor its reporting units for any triggering events or other signs of impairment. The Company may be required to perform additional impairment testing based on further deterioration of the global economic environment, continued disruptions to the Company's business, further declines in operating results of the Company's reporting units and/or tradenames, further sustained deterioration of the Company's market capitalization, and other factors, which could result in impairment charges in the future. Although management cannot predict when changes in macroeconomic conditions will occur, if consumer confidence and consumer spending decline significantly in the future or if commercial and industrial economic activity experiences a sustained deterioration from current levels, it is reasonably likely the Company will be required to record impairment charges in the future.

At March 31, 2020, there were no reporting units and nine indefinite-lived trade names with fair values within 10% of the associated carrying values. A hypothetical 10% reduction in forecasted earnings before interest, taxes and amortization used in the discounted cash flows to estimate the fair value of the reporting unit would not have resulted in an incremental goodwill impairment charge. A hypothetical 10% reduction in the forecasted debt-free cash flows used in the excess earnings method to determine the fair value of certain indefinite-lived intangibles in the Company's Home Solutions and Learning and Development

segments would have resulted in incremental impairment charges of \$39 million and \$13 million, respectively. A hypothetical 10% reduction in forecasted revenue used in the relief from royalty method to determine the fair value of certain indefinite-lived intangibles would have resulted in incremental impairment charges in the Company's following segments: Appliances and Cookware, Home Solutions and Learning and Development of \$6 million, \$6 million and \$16 million, respectively. As a result of updating the sensitivity analysis completed at March 31, 2020 for the \$2 million impairment recorded during the three months ended September 30, 2020, a hypothetical 10% reduction in forecasted revenue used in the relief from royalty method to determine the fair value of the indefinite-lived intangible asset within the Learning and Development segment would have resulted in an incremental impairment charge of \$15 million at September 30, 2020.

Footnote 8 — Other Accrued Liabilities

Other accrued liabilities are comprised of the following at the dates indicated (in millions):

	September 30, 2020	December 31, 2019
Customer accruals	\$ 649	\$ 605
Accrued interest expense	133	63
Operating lease liabilities	131	132
Accrued self-insurance liabilities, contingencies and warranty	110	124
Accrued income taxes	82	114
Accruals for manufacturing, marketing and freight expenses	55	50
Other	220	252
	<u>\$ 1,380</u>	<u>\$ 1,340</u>

Footnote 9 — Debt

Debt is comprised of the following at the dates indicated (in millions):

	September 30, 2020	December 31, 2019
4.70% senior notes due 2020	\$ —	\$ 305
3.15% senior notes due 2021	94	94
3.75% senior notes due 2021	355	342
4.00% senior notes due 2022	250	249
3.85% senior notes due 2023	1,389	1,388
4.00% senior notes due 2024	200	199
4.875% senior notes due 2025	492	—
3.90% senior notes due 2025	47	47
4.20% senior notes due 2026	1,973	1,986
5.375% senior notes due 2036	416	416
5.50% senior notes due 2046	657	657
Commercial paper	—	25
Other debt	18	15
Total debt	5,891	5,723
Short-term debt and current portion of long-term debt	(97)	(332)
Long-term debt	<u>\$ 5,794</u>	<u>\$ 5,391</u>

Credit Revolver and Commercial Paper

On November 1, 2019, S&P Global Inc. ("S&P") downgraded the Company's debt rating to "BB+" as S&P believed the Company would fail to meet S&P's target debt level for 2019. In addition, on March 9, 2020, Moody's Corporation ("Moody's") downgraded the Company's debt rating to "Ba1" based on a view that the Company would fail to meet Moody's target debt level for 2020. Subsequently on April 15, 2020, Fitch Ratings ("Fitch") downgraded the Company's debt rating to "BB" as they believed the Company would fail to meet Fitch's target debt level for 2020. As a result of the S&P and Moody's downgrades, the Company's ability to borrow from the commercial paper market on terms it deems acceptable or favorable was eliminated.

Previously, the Company was able to issue commercial paper up to a maximum of \$800 million provided there was a sufficient amount available for borrowing under the Company's \$1.25 billion revolving credit facility that matures in December 2023 ("the Credit Revolver"). The Company's ability to borrow under the Credit Revolver was not affected by the downgrades. The interest rate for borrowings under the Credit Revolver is the borrowing period referenced LIBOR rate plus 127.5 basis points. At September 30, 2020, the Company did not have any amounts outstanding under the Credit Revolver.

Senior Notes

In May 2020, the Company completed a registered public offering of \$500 million in aggregate principal amount of 4.875% senior notes that mature in June 2025 (the "June 2025 Notes") and received proceeds of approximately \$492 million, net of fees and expenses paid. The June 2025 Notes are subject to similar restrictive and financial covenants as the Company's existing senior notes, however, they are not subject to the interest rate adjustment or coupon step up provisions of certain other notes described below. The June 2025 Notes are redeemable in whole or in part, at the option of the Company (1) at any time prior to one month before the stated maturity at a redemption price equal to the greater of (a) 100% of the principal amount or (b) the discounted present value of principal and interest at the Treasury Rate plus 50 basis points, plus accrued interest to but excluding the redemption date; or (2) at any time on or after one month prior to the stated maturity at a price equal to 100% of the principal amount being redeemed, plus accrued interest to but excluding the redemption date. The Company used the net proceeds from the June 2025 Notes for general corporate purposes, including repayment of outstanding borrowings under the Credit Revolver and accounts receivable securitization facility, and the redemption of the outstanding 4.70% Senior Notes due in August 2020 at maturity.

In March 2020, the Company repurchased \$15 million of the 4.20% senior notes due 2026 at approximately par value. The total consideration, excluding accrued interest, was approximately \$15 million. As a result of the partial debt extinguishment, the Company recorded an immaterial loss.

As a result of the aforementioned debt rating downgrades of Moody's and S&P, certain of the Company's outstanding senior notes aggregating to approximately \$4.5 billion are subject to an interest rate adjustment of 25 basis points as a result of each downgrade, for a total of 50 basis points. This increase to the interest rates of each series of the Company's senior notes subject to adjustment is expected to increase the Company's interest expense for 2020 by approximately \$17 million and approximately \$23 million thereafter, on an annualized basis. The Fitch downgrade did not impact the interest rates on any of the Company's senior notes.

Receivables Facility

The Company maintains an Accounts Receivable Securitization Facility (the "Securitization Facility"). The aggregate commitment under the Securitization Facility is \$600 million. The Securitization Facility matures in October 2022 and bears interest at a margin over a variable interest rate. The maximum availability under the Securitization Facility fluctuates based on eligible accounts receivable balances. In March 2020, the Company amended its Securitization Facility with respect to certain customer receivables and to remove an originator from the Securitization Facility. At September 30, 2020, the Company did not have any amounts outstanding under the Securitization Facility.

Other

The fair value of the Company's senior notes are based upon prices of similar instruments in the marketplace and are as follows (in millions):

	September 30, 2020		December 31, 2019	
	Fair Value	Book Value	Fair Value	Book Value
Senior notes	\$ 6,329	\$ 5,873	\$ 5,990	\$ 5,683

The carrying amounts of all other significant debt approximates fair value.

Net Investment Hedge

The Company has designated the €300 million principal balance of the 3.75% senior notes due October 2021 as a net investment hedge of the foreign currency exposure of its net investment in certain Euro-functional currency subsidiaries with Euro-denominated net assets. At September 30, 2020, \$11 million of deferred losses have been recorded in AOCL. See Footnote 10 for disclosures regarding the Company's derivative financial instruments.

Footnote 10—Derivatives

From time to time, the Company enters into derivative transactions to hedge its exposures to interest rate, foreign currency rate and commodity price fluctuations. The Company does not enter into derivative transactions for trading purposes.

Interest Rate Contracts

The Company manages its fixed and floating rate debt mix using interest rate swaps. The Company may use fixed and floating rate swaps to alter its exposure to the impact of changing interest rates on its consolidated results of operations and future cash outflows for interest. Floating rate swaps would be used, depending on market conditions, to convert the fixed rates of long-term debt into short-term variable rates. Fixed rate swaps would be used to reduce the Company's risk of the possibility of increased interest costs. Interest rate swap contracts are therefore used by the Company to separate interest rate risk from the debt funding decision. The cash paid and received from the settlement of interest rate swaps is included in interest expense.

Fair Value Hedges

At September 30, 2020, the Company had approximately \$100 million notional of interest rate swaps that exchange a fixed rate of interest for variable rate (LIBOR) of interest plus a weighted average spread. These floating rate swaps are designated as fair value hedges against \$100 million of principal on the 4.0% senior notes due 2024 for the remaining life of the note. The effective portion of the fair value gains or losses on these swaps is offset by fair value adjustments in the underlying debt. On August 15, 2020, a \$277 million notional interest rate swap matured concurrently with the maturity of the 4.7% senior notes which were repaid during the quarter.

Cross-Currency Contracts

The Company uses cross-currency swaps to hedge foreign currency risk on certain financing arrangements. During the first quarter of 2020, the Company entered into two cross-currency swaps with an aggregate notional amount of \$900 million, which were designated as net investment hedges of the Company's foreign currency exposure of its net investment in certain Euro-functional currency subsidiaries with Euro-denominated net assets. These cross-currency swaps, which mature in January and February 2025, pay a fixed rate of Euro-based interest and receive a fixed rate of U.S. dollar interest. The Company has elected the spot method for assessing the effectiveness of these contracts. During the three and nine months ended September 30, 2020, the Company recognized income of \$3 million and \$10 million in interest expense, net, related to the portion of cross-currency swaps excluded from hedge effectiveness testing. The Company had no cross-currency swaps used as hedging instruments in 2019.

Foreign Currency Contracts

The Company uses forward foreign currency contracts to mitigate the foreign currency exchange rate exposure on the cash flows related to forecasted inventory purchases and sales and have maturity dates through June 2021. The derivatives used to hedge these forecasted transactions that meet the criteria for hedge accounting are accounted for as cash flow hedges. The effective portion of the gains or losses on these derivatives is deferred as a component of AOCL and is recognized in earnings at the same time that the hedged item affects earnings and is included in the same caption in the statements of operations as the underlying hedged item. At September 30, 2020, the Company had approximately \$289 million notional amount outstanding of forward foreign currency contracts that are designated as cash flow hedges of forecasted inventory purchases and sales.

The Company also uses foreign currency contracts, primarily forward foreign currency contracts, to mitigate the foreign currency exposure of certain other foreign currency transactions. At September 30, 2020, the Company had approximately \$842 million notional amount outstanding of these foreign currency contracts that are not designated as effective hedges for accounting purposes and have maturity dates through July 2021. Fair market value gains or losses are included in the results of operations and are classified in other (income) expense, net.

The following table presents the fair value of derivative financial instruments at the dates indicated (in millions):

	September 30, 2020		December 31, 2019	
	Fair Value of Derivatives		Fair Value of Derivatives	
	Asset (a)	Liability (a)	Asset (a)	Liability (a)
Derivatives designated as effective hedges:				
Cash flow hedges:				
Foreign currency contracts	\$ 5	\$ 2	\$ 1	\$ 13
Fair value hedges:				
Interest rate swaps	7	—	2	1
Net investment hedges:				
Cross-currency swaps	—	43	—	—
Derivatives not designated as effective hedges:				
Foreign currency contracts	12	3	10	4
Total	\$ 24	\$ 48	\$ 13	\$ 18

(a) Consolidated balance sheet location:

Asset: Prepaid expenses and other, and other noncurrent assets

Liability: Other accrued liabilities, and current and noncurrent liabilities

The following tables present gain and loss activity (on a pretax basis) for the three months ended September 30, 2020 and 2019 related to derivative financial instruments designated or previously designated, as effective hedges (in millions):

	Location of gain/(loss) recognized in income	Three Months Ended September 30, 2020		Three Months Ended September 30, 2019	
		Gain/(Loss)		Gain/(Loss)	
		Recognized in OCI (effective portion)	Reclassified from AOCL to Income	Recognized in OCI (effective portion)	Reclassified from AOCL to Income
Interest rate swaps	Interest expense, net	\$ —	\$ (2)	\$ —	\$ (4)
Foreign currency contracts	Net sales and cost of products sold	(3)	8	6	4
Commodity contracts	Cost of products sold	—	—	—	—
Cross-currency swaps	Other expense, net	(47)	—	—	—
Total		\$ (50)	\$ 6	\$ 6	\$ —

	Location of gain/(loss) recognized in income	Nine Months Ended September 30, 2020		Nine Months Ended September 30, 2019	
		Gain/(Loss)		Gain/(Loss)	
		Recognized in OCI (effective portion)	Reclassified from AOCL to Income	Recognized in OCI (effective portion)	Reclassified from AOCL to Income
Interest rate swaps	Interest expense, net	\$ —	\$ (5)	\$ —	\$ (7)
Foreign currency contracts	Net sales and cost of products sold	27	10	1	12
Commodity contracts	Cost of products sold	—	—	—	—
Cross-currency swaps	Other expense, net	(43)	—	—	—
Total		\$ (16)	\$ 5	\$ 1	\$ 5

At September 30, 2020, deferred net gains of approximately \$6 million within AOCL are expected to be reclassified to earnings over the next twelve months.

During the three and nine months ended September 30, 2020, the Company recognized expense of \$3 million and income of \$6 million, respectively, in other expense, net, related to derivatives that are not designated as hedging instruments. During the three

and nine months ended September 30, 2019, the Company recognized expense of \$2 million and \$12 million, respectively, in other expense, net, related to derivatives that are not designated as hedging instruments. Gains and losses on these derivatives are mostly offset by foreign currency movement in the underlying exposure.

Footnote 11 — Employee Benefit and Retirement Plans

The components of pension and postretirement benefit expense for continuing operations for the periods indicated, are as follows (in millions):

	Pension Benefits			
	Three Months Ended September 30,			
	U.S.		International	
	2020	2019	2020	2019
Service cost	\$ —	\$ —	\$ 1	\$ 2
Interest cost	10	12	2	3
Expected return on plan assets	(16)	(14)	(2)	(4)
Amortization, net	6	4	1	1
Total expense	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 2</u>

	Pension Benefits			
	Nine Months Ended September 30,			
	U.S.		International	
	2020	2019	2020	2019
Service cost	\$ —	\$ —	\$ 3	\$ 5
Interest cost	28	37	7	9
Expected return on plan assets	(46)	(44)	(5)	(10)
Amortization, net	18	12	2	2
Settlements	1	—	—	—
Total expense	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 7</u>	<u>\$ 6</u>

	Postretirement Benefits			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Interest cost	\$ —	\$ —	\$ 1	\$ 1
Amortization, net	(1)	(2)	(4)	(7)
Total income	<u>\$ (1)</u>	<u>\$ (2)</u>	<u>\$ (3)</u>	<u>\$ (6)</u>

The components of net periodic pension and postretirement costs other than the service cost component are included in other (income) expense, net in the Condensed Consolidated Statements of Operations.

Retiree Annuity Buyout

On October 22, 2020, the Company entered into an agreement with an insurance company to purchase a group annuity contract to settle approximately \$155 million to \$160 million of projected benefit obligations for approximately 45% of the retirees in one of its U.S. defined benefit pension plans. The irrevocable transaction for the transfer of pension liability to the insurance company will be funded with the plan's existing assets. Payments from the insurance company to the beneficiaries will commence on

January 1, 2021. During the fourth quarter 2020, the Company will record a pre-tax settlement loss in connection with this transaction to reclassify approximately \$45 million to \$50 million into earnings from Accumulated Other Comprehensive Losses.

Footnote 12 — Income Taxes

The Company's effective income tax rate for the three months ended September 30, 2020 and 2019 was (7.4)% and 33.8%, respectively. The Company's effective income tax rate for the nine months ended September 30, 2020 and 2019 was 19.0% and 34.9%, respectively. The Company's effective income tax rate fluctuates based on, among other factors, the geographic mix of income.

The difference between the U.S. federal statutory income tax rate of 21.0% and the Company's effective income tax rate for the nine months ended September 30, 2020 and 2019 was impacted by a variety of factors, primarily resulting from the geographic mix of where the income was earned as well as certain taxable income inclusion items in the U.S. based on foreign earnings.

The three and nine months ended September 30, 2020 were also impacted by certain discrete tax items. Income tax expense for three months ended September 30, 2020 included a discrete tax benefit of \$87 million associated with the execution of certain tax planning strategies and \$53 million for a reduction in valuation allowance related to the integration of certain U.S. operations, partially offset by \$47 million deferred tax effects associated with certain outside basis differences. Income tax expense for the nine months ended September 30, 2020 also included a discrete tax benefit of \$15 million related to statute of limitations expirations, \$8 million of prior period adjustments identified during the first quarter of 2020, and \$23 million associated with the execution of certain tax planning strategies offset by tax expense of \$27 million related to a change in the tax status of certain entities upon Internal Revenue Service approval during the first quarter, \$8 million of excess book deductions related to equity-based compensation, \$8 million for additional interest related to uncertain tax positions, and \$5 million for effects of adopting the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The Company concluded the effects of such prior period adjustments were not material to the current period or previously issued financial statements.

The three and nine months ended September 30, 2019 were also impacted by certain discrete tax items. The three months ended September 30, 2019 included tax benefits of \$246 million related to the impairment of certain intangible assets of the Company, \$74 million for the expiration of uncertain tax positions and \$32 million related to certain Federal return to provision adjustments. In addition, the nine months ended September 30, 2019 included discrete tax benefits of \$13 million for a withholding tax refund received from Switzerland by the Company, \$10 million for certain state tax return to provision adjustments and \$14 million related to change in tax status of certain entities in various non-U.S. jurisdictions, offset by discrete tax expense of \$15 million for excess book deductions for equity-based compensation and \$13 million for additional interest related to the Company's uncertain tax liabilities.

On June 18, 2019, the U.S. Treasury and the Internal Revenue Service ("IRS") released temporary regulations under IRC Section 245A ("Section 245A") as enacted by the 2017 U.S. Tax Reform Legislation ("2017 Tax Reform") and IRC Section 954(c)(6) (the "Temporary Regulations") to apply retroactively to the date the 2017 Tax Reform was enacted. On August 21, 2020, the U.S. Treasury and IRS released finalized versions of the Temporary Regulations (collectively with the Temporary Regulations, the "Regulations"). The Regulations seek to limit the 100% dividends received deduction permitted by Section 245A for certain dividends received from controlled foreign corporations and to limit the applicability of the look-through exception to foreign personal holding company income for certain dividends received from controlled foreign corporations. Before the retroactive application of the Regulations, the Company benefited in 2018 from both the 100% dividends received deduction and the look-through exception to foreign personal holding company income. The Company analyzed the Regulations and concluded the relevant Regulations were not validly issued. Therefore, the Company has not accounted for the effects of the Regulations in its Condensed Consolidated Financial Statements for the period ending September 30, 2020. The Company believes it has strong arguments in favor of its position and believes it has met the more likely than not recognition threshold that its position will be sustained. However, due to the inherent uncertainty involved in challenging the validity of regulations as well as a potential litigation process, there can be no assurances that the relevant Regulations will be invalidated or that a court of law will rule in favor of the Company. If the Company's position on the Regulations is not sustained, the Company would be required to recognize an income tax expense of approximately \$180 million to \$220 million related to an income tax benefit from fiscal year 2018 that was recorded based on regulations in existence at the time. In addition, the Company may be required to pay any applicable interest and penalties. The Company intends to vigorously defend its position.

Footnote 13 — Leases

Supplemental Condensed Consolidated Balance Sheet information related to leases for the periods indicated, are as follows (in millions):

		Classification	September 30, 2020	December 31, 2019
Assets				
Operating leases	Operating lease assets, net (1)		\$ 543	\$ 615
Finance leases	Property, plant and equipment, net (2)		11	15
Total lease assets			<u>\$ 554</u>	<u>\$ 630</u>
Liabilities				
Current				
Operating leases	Other accrued liabilities		\$ 131	\$ 132
Finance leases	Short-term debt and current portion of long-term debt		3	3
Noncurrent				
Operating leases	Long-term operating lease liabilities		485	541
Finance leases	Long-term debt		6	10
Total lease liabilities			<u>\$ 625</u>	<u>\$ 686</u>

(1) During the first quarter of 2020, the Company concluded that a triggering event had occurred for all of its reporting units as a result of overall macroeconomic conditions and developments in the equity and credit markets primarily driven by the COVID-19 pandemic. Pursuant to the authoritative accounting literature, the Company compared the sum of the undiscounted future cash flows attributable to the asset or group of assets at the lowest level for which identifiable cash flows are available to their respective carrying amount. As a result of the impairment testing performed in connection with the triggering event, the Company recorded a non-cash impairment charge of \$3 million during the three months ended March 31, 2020 in the Home Solutions segment related to the operating leases of its Yankee Candle retail store business. In addition, the Company recorded an impairment charge of \$2 million in the Corporate segment to reflect a reduction in the carrying values of certain operating lease assets during the first quarter of 2020. The impairment charges were calculated by subtracting the estimated fair value of the asset group from its carrying value.

During the second quarter of 2020, the Company also concluded that a triggering event had occurred for its Home Fragrance right of use assets as a result of further deterioration of the business' financial performance, primarily driven by the COVID-19 pandemic. Pursuant to the authoritative accounting literature, the Company compared the sum of the undiscounted future cash flows attributable to the asset or group of assets at the lowest level for which identifiable cash flows are available to their respective carrying amount. As a result of the impairment testing performed in connection with the triggering event, the Company recorded a non-cash impairment charge of \$5 million during the three months ended June 30, 2020 in the Home Solutions segment related to the operating leases of its Yankee Candle retail store business. The impairment charge was calculated by subtracting the estimated fair value of the asset group from its carrying value.

(2) Net of accumulated depreciation of \$11 million and \$8 million at September 30, 2020 and December 31, 2019.

Components of lease expense as of the date indicated, are as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating lease cost:				
Operating lease cost (1)	\$ 45	\$ 49	\$ 137	\$ 156
Variable lease costs (2)	6	6	17	19
Finance lease cost:				
Amortization of leased assets	1	1	3	3

(1) Includes short-term leases, which are immaterial.

(2) Consists primarily of additional payments for non-lease components, such as maintenance costs, payments of taxes and additional rent based on a level of the Company's retail store sales.

Remaining lease term and discount rates as of the date indicated, are as follows:

	September 30, 2020
Weighted average remaining lease term (years):	
Operating leases	6
Finance leases	3
Weighted average discount rate:	
Operating leases	4.3%
Finance leases	3.4%

Supplemental cash flow information related to leases for the periods indicated are as follows (in millions):

	Nine Months Ended September 30,	
	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 133	\$ 153
Operating cash flows from finance leases	—	1
Financing cash flows from finance leases	3	3
Right of use assets obtained in exchange for lease liabilities:		
Operating leases	53	124
Finance leases	—	7

Maturities of lease liabilities for continuing operations at September 30, 2020, are as follows (in millions):

	Operating Leases	Finance Leases
2020 (Excludes nine months ended September 30, 2020)	\$ 42	\$ 1
2021	152	4
2022	130	3
2023	97	1
2024	76	—
Thereafter	220	—
Total lease payments	717	9
Less: imputed interest	(101)	—
Present value of lease liabilities	\$ 616	\$ 9

Footnote 14 — Earnings Per Share

The computations of the weighted average shares outstanding for the periods indicated are as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Weighted average shares outstanding	424.3	423.4	424.1	423.2
Share-based payment awards classified as participating securities (1)	—	—	—	0.1
Basic weighted average shares outstanding	424.3	423.4	424.1	423.3
Dilutive securities (2) (3)	1.1	—	—	—
Diluted weighted average shares outstanding	425.4	423.4	424.1	423.3

- (1) For the three months ended September 30, 2020 and 2019, dividends and equivalents for share-based awards that are expected to be forfeited do not have a material effect on net income for basic and diluted earnings per share.
- (2) The nine months ended September 30, 2020 excludes 0.9 million of potentially dilutive share-based awards as their effect would be anti-dilutive.
- (3) The three and nine months ended September 30, 2019 excludes 0.4 million of potentially dilutive share-based awards as their effect would be anti-dilutive.

At September 30, 2020, there were no potentially dilutive restricted stock awards with performance-based vesting targets that were not met and as such, have been excluded from the computation of diluted earnings per share.

Footnote 15 — Share-Based Compensation

During the nine months ended September 30, 2020, the Company awarded 1.3 million performance-based restricted stock units (RSUs), which had an aggregate grant date fair value of \$29 million and entitle the recipients to shares of the Company's common stock primarily at the end of a three-year vesting period. The actual number of shares that will ultimately vest is dependent on the level of achievement of the specified performance conditions.

During the nine months ended September 30, 2020, the Company also awarded 0.7 million time-based RSUs with an aggregate grant date fair value of \$13 million. These time-based RSUs entitle recipients to shares of the Company's common stock and primarily vest in equal installments over a three-year period.

During the nine months ended September 30, 2020, the Company also awarded 1.1 million time-based stock options with an aggregate grant date fair value of \$6 million. These stock options entitle recipients to purchase shares of the Company's common stock at an exercise price equal to the fair market value of the underlying shares as of the grant date and primarily vest in equal installments over a three-year period.

The weighted average assumptions used to determine the fair value of stock options granted for the nine months ended September 30, 2020, is as follows:

Risk-free interest rates	1.4 %
Expected volatility	41.3 %
Expected dividend yield	3.9 %
Expected life (in years)	6.2
Exercise price	\$ 19.67

Dividends per share for both the three and nine months ended September 30, 2020 and 2019 were \$0.23 and \$0.69, respectively.

Footnote 16 — Fair Value Disclosures

Recurring Fair Value Measurements

The following table presents the Company's non-pension financial assets and liabilities which are measured at fair value on a recurring basis (in millions):

	September 30, 2020				December 31, 2019			
	Fair value Asset (Liability)				Fair value Asset (Liability)			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivatives:								
Assets	\$ —	\$ 24	\$ —	\$ 24	\$ —	\$ 13	\$ —	\$ 13
Liabilities	—	(48)	—	(48)	—	(18)	—	(18)
Investment securities, including mutual funds	8	—	—	8	10	1	—	11

For publicly traded investment securities, including mutual funds, fair value is determined on the basis of quoted market prices and, accordingly, such investments are classified as Level 1. Other investment securities are primarily comprised of money market accounts that are classified as Level 2. The Company determines the fair value of its derivative instruments using standard pricing models and market-based assumptions for all significant inputs, such as yield curves and quoted spot and forward exchange rates. Accordingly, the Company's derivative instruments are classified as Level 2.

During the first quarter of 2019, the Company acquired an equity investment for \$18 million, which is traded on an active exchange and therefore has a readily determinable fair value. At September 30, 2020, the fair value of the equity investment was \$8 million. For equity investments with readily determinable fair values held at September 30, 2020, the Company recorded a nominal and \$1 million of unrealized losses within other expense, net in the Condensed Consolidated Statement of Operations for

the three months period ended September 30, 2020 and 2019, respectively, and \$1 million and \$7 million of unrealized losses for the nine months period September 30, 2020 and 2019, respectively.

Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, derivative instruments, notes payable and short and long-term debt. The carrying values for current financial assets and liabilities, including cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximate fair value due to the short maturity of such instruments. The fair values of the Company's debt and derivative instruments are disclosed in Footnote 9 and Footnote 10, respectively.

Nonrecurring Fair Value Measurements

The Company's nonfinancial assets, which are measured at fair value on a nonrecurring basis, include property, plant and equipment, goodwill, intangible assets and certain other assets.

The Company's goodwill and indefinite-lived intangibles are fair valued using discounted cash flows. Goodwill impairment testing requires significant use of judgment and assumptions including the identification of reporting units; the assignment of assets and liabilities to reporting units; and the estimation of future cash flows, business growth rates, terminal values and discount rates. The testing of indefinite-lived intangibles under established guidelines for impairment also requires significant use of judgment and assumptions, such as the estimation of cash flow projections, terminal values, royalty rates, contributory cross charges, where applicable, and discount rates. Accordingly, these fair value measurements fall in Level 3 of the fair value hierarchy. These assets and certain liabilities are measured at fair value on a nonrecurring basis as part of the Company's annual impairment testing and as circumstances require.

The following table summarizes the assets that are measured at Level 3 fair value on a non-recurring basis at the dates indicated:

	March 31, 2020	December 31, 2019
Indefinite-lived intangible assets	\$ 796	\$ 1,365

At March 31, 2020, certain intangible assets are recorded at fair value based upon the Company's impairment testing as circumstances require, while an intangible asset was recorded at fair value at September 30, 2020 (See Footnote 7).

The Company reviews property, plant and equipment and operating lease assets for impairment whenever events or circumstances indicate that carrying amounts may not be recoverable through future undiscounted cash flows. If the Company concludes that impairment exists, the carrying amount is reduced to fair value. See Footnotes 6 and 13, respectively, for further information.

Footnote 17 — Segment Information

During the first quarter of 2020, the Company appointed separate Chief Executive Officers for its Food and Commercial business units, each reporting directly to the CODM. The Company determined these appointments required a reassessment of its operating and reportable segments. As a result of its assessment, the Company concluded that the Food and Commercial business units were two separate operating segments but met the requirements to be aggregated into a single reportable segment, pursuant to authoritative accounting literature, as they had similar economic and qualitative characteristics.

During the second quarter of 2020, the Company implemented further changes to its management reporting structure, which included:

- The appointment of Chief Executive Officers for the Appliances and Cookware and Outdoor and Recreation business units;
- Expanding the responsibilities of the Food business unit Chief Executive Officer to include oversight of the Home Fragrance business unit; and
- Expanding the responsibilities of the Commercial business unit Chief Executive Officer to include oversight of the Connected Home & Security business unit.

The Company determined these appointments required a reassessment of its operating and reportable segments. As a result of its assessment, the Company concluded that it had the following five primary reportable segments:

Segment	Key Brands	Description of Primary Products
Appliances and Cookware	Calphalon®, Crock-Pot®, Mr. Coffee®, Oster® and Sunbeam®	Household products, including kitchen appliances, gourmet cookware, bakeware and cutlery
Commercial Solutions	BRK®, First Alert®, Mapa®, Quickie®, Rubbermaid Commercial Products®, and Spontex®	Commercial cleaning and maintenance solutions; hygiene systems and material handling solutions; connected home and security and smoke and carbon monoxide alarms
Home Solutions	Ball® (1), Chesapeake Bay Candle®, FoodSaver®, Rubbermaid®, Sistema®, WoodWick® and Yankee Candle®	Food and home storage products; fresh preserving products, vacuum sealing products and home fragrance products
Learning and Development	Aprica®, Baby Jogger®, Dymo®, Elmer's®, EXPO®, Graco®, Mr. Sketch®, NUK®, Paper Mate®, Parker®, Prismacolor®, Sharpie®, Tigex® Waterman® and X-Acto®	Baby gear and infant care products; writing instruments, including markers and highlighters, pens and pencils; art products; activity-based adhesive and cutting products and labeling solutions
Outdoor and Recreation	Coleman®, Contigo®, ExOfficio®, Marmot®	Products for outdoor and outdoor-related activities

(1) Ball® TM of Ball Corporation, used under license.

This new structure reflects the manner in which the CODM regularly assesses information for decision-making purposes, including the allocation of resources. The Company also provides general corporate services to its segments which is reported as a non-operating segment, Corporate. As a result of these changes, net sales, operating income (loss) and impairment of goodwill and indefinite-lived intangible assets for the three and nine months ended September 30, 2019 and segment assets as of December 31, 2019 have been recast for the new segment structure. Selected information by segment is presented in the following tables (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales (1)				
Appliances and Cookware	\$ 479	\$ 430	\$ 1,129	\$ 1,122
Commercial Solutions	535	475	1,361	1,343
Home Solutions	574	484	1,276	1,227
Learning and Development	728	824	1,887	2,254
Outdoor and Recreation	383	356	1,043	1,145
	<u>\$ 2,699</u>	<u>\$ 2,569</u>	<u>\$ 6,696</u>	<u>\$ 7,091</u>
Operating income (loss) (2)				
Appliances and Cookware	\$ 32	\$ (595)	\$ (266)	\$ (593)
Commercial Solutions	84	(216)	(148)	(171)
Home Solutions	112	(112)	(150)	(113)
Learning and Development	159	182	290	488
Outdoor and Recreation	40	(41)	(409)	11
Corporate	(60)	(72)	(185)	(214)
Restructuring	(4)	(3)	(14)	(22)
	<u>\$ 363</u>	<u>\$ (857)</u>	<u>\$ (882)</u>	<u>\$ (614)</u>

	September 30, 2020	December 31, 2019
Segment assets		
Appliances and Cookware	\$ 1,204	\$ 1,468
Commercial Solutions	2,534	2,731
Home Solutions	3,142	3,327
Learning and Development	5,128	4,800
Outdoor and Recreation	1,108	1,570
Corporate	1,604	1,746
	<u>\$ 14,720</u>	<u>\$ 15,642</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Impairment of goodwill and indefinite-lived intangibles assets (3)				
Appliances and Cookware	\$ —	\$ 609	\$ 299	\$ 609
Commercial Solutions	—	236	320	310
Home Solutions	—	158	290	158
Learning and Development	2	1	80	1
Outdoor and Recreation	—	67	482	67
	<u>\$ 2</u>	<u>\$ 1,071</u>	<u>\$ 1,471</u>	<u>\$ 1,145</u>

- (1) All intercompany transactions have been eliminated.
- (2) Operating income (loss) by segment is net sales less cost of products sold, SG&A and impairment of goodwill, intangibles and other assets for continuing operations. Certain Corporate expenses of an operational nature are allocated to business segments primarily on a net sales basis. Corporate depreciation and amortization is allocated to the segments on a percentage of sales basis, and included in segment operating income.
- (3) During the three and nine months ended September 30, 2020, as a result of a product line divestiture in the Learning and Development segment, the Company recorded impairment charges of \$2 million to reflect

impairment of an intangible asset related to certain of the segment's indefinite-lived trade names. During the nine months ended September 30, 2020, the Company also recorded impairment charges to reflect impairment of intangible assets related to certain of the Company's indefinite-lived trade names and goodwill. During the three months ended September 30, 2019, as a result of the Company's annual other indefinite-lived intangible impairment testing, the Company recorded impairment charges to reflect impairment of intangible assets related to certain of the Company's indefinite-lived trade names and goodwill. During the nine months ended September 30, 2019 the Company also recorded an impairment charge to reflect a decrease in the carrying values of Mapa/Spontex and Quicke goodwill while these businesses were classified as held for sale. See Footnote 7 for further information.

The following tables disaggregate revenue by major product grouping source and geography for the periods indicated (in millions):

Three Months Ended September 30, 2020						
	Appliances and Cookware	Commercial Solutions	Home Solutions	Learning and Development	Outdoor and Recreation	Total
Appliances and Cookware	\$ 479	\$ —	\$ —	\$ —	\$ —	\$ 479
Commercial	—	416	—	—	—	416
Connected Home Security	—	119	—	—	—	119
Food	—	—	304	—	—	304
Home Fragrance	—	—	270	—	—	270
Baby and Parenting	—	—	—	307	—	307
Writing	—	—	—	421	—	421
Outdoor and Recreation	—	—	—	—	383	383
Total	\$ 479	\$ 535	\$ 574	\$ 728	\$ 383	\$ 2,699
North America	\$ 297	\$ 407	\$ 462	\$ 529	\$ 232	\$ 1,927
International	182	128	112	199	151	772
Total	\$ 479	\$ 535	\$ 574	\$ 728	\$ 383	\$ 2,699

Three Months Ended September 30, 2019						
	Appliances and Cookware	Commercial Solutions	Home Solutions	Learning and Development	Outdoor and Recreation	Total
Appliances and Cookware	\$ 430	\$ —	\$ —	\$ —	\$ —	\$ 430
Commercial	—	362	—	—	—	362
Connected Home Security	—	113	—	—	—	113
Food	—	—	229	—	—	229
Home Fragrance	—	—	255	—	—	255
Baby and Parenting	—	—	—	300	—	300
Writing	—	—	—	524	—	524
Outdoor and Recreation	—	—	—	—	356	356
Total	\$ 430	\$ 475	\$ 484	\$ 824	\$ 356	\$ 2,569
North America	\$ 297	\$ 366	\$ 384	\$ 605	\$ 230	\$ 1,882
International	133	109	100	219	126	687
Total	\$ 430	\$ 475	\$ 484	\$ 824	\$ 356	\$ 2,569

Nine Months Ended September 30, 2020

	Appliances and Cookware	Commercial Solutions	Home Solutions	Learning and Development	Outdoor and Recreation	Total
Appliances and Cookware	\$ 1,129	\$ —	\$ —	\$ —	\$ —	\$ 1,129
Commercial	—	1,109	—	—	—	1,109
Connected Home Security	—	252	—	—	—	252
Food	—	—	741	—	—	741
Home Fragrance	—	—	535	—	—	535
Baby and Parenting	—	—	—	790	—	790
Writing	—	—	—	1,097	—	1,097
Outdoor and Recreation	—	—	—	—	1,043	1,043
Total	\$ 1,129	\$ 1,361	\$ 1,276	\$ 1,887	\$ 1,043	\$ 6,696
North America	\$ 704	\$ 1,013	\$ 1,029	\$ 1,393	\$ 642	\$ 4,781
International	425	348	247	494	401	1,915
Total	\$ 1,129	\$ 1,361	\$ 1,276	\$ 1,887	\$ 1,043	\$ 6,696

Nine Months Ended September 30, 2019

	Appliances and Cookware	Commercial Solutions	Home Solutions	Learning and Development	Outdoor and Recreation	Total
Appliances and Cookware	\$ 1,122	\$ —	\$ —	\$ —	\$ —	\$ 1,122
Commercial	—	1,056	—	—	—	1,056
Connected Home Security	—	287	—	—	—	287
Food	—	—	604	—	—	604
Home Fragrance	—	—	623	—	—	623
Baby and Parenting	—	—	—	826	—	826
Writing	—	—	—	1,428	—	1,428
Outdoor and Recreation	—	—	—	—	1,145	1,145
Total	\$ 1,122	\$ 1,343	\$ 1,227	\$ 2,254	\$ 1,145	\$ 7,091
North America	\$ 731	\$ 1,018	\$ 963	\$ 1,626	\$ 720	\$ 5,058
International	391	325	264	628	425	2,033
Total	\$ 1,122	\$ 1,343	\$ 1,227	\$ 2,254	\$ 1,145	\$ 7,091

Footnote 18 — Litigation and Contingencies

The Company is subject to various claims and lawsuits in the ordinary course of business, including from time to time, contractual disputes, employment and environmental matters, product and general liability claims, claims that the Company has infringed on the intellectual property rights of others, and consumer and employment class actions. Some of the legal proceedings include claims for punitive as well as compensatory damages. In the ordinary course of business, the Company is also subject to legislative requests, regulatory and governmental examinations, information requests and subpoenas, inquiries, investigations, and threatened legal actions and proceedings. In connection with such formal and informal inquiries, the Company receives numerous requests, subpoenas, and orders for documents, testimony, and information in connection with various aspects of its activities. On January 31, 2020, the Company received a subpoena from the U.S. Securities and Exchange Commission (the “SEC”) primarily relating to its sales practices and certain accounting matters during the period from January 1, 2016 to the date of the subpoena. The subpoena followed various informal document requests from the SEC staff, including several requests primarily related to the impairment of goodwill and other intangible assets. The Company has cooperated in providing documents and information to the SEC in connection with its requests and intends to continue to do so in connection with the subpoena. The Company cannot predict the timing or outcome of this investigation.

Securities Litigation

Certain of the Company’s current and former officers and directors have been named in shareholder derivative lawsuits. On October 29, 2018, a shareholder filed a putative derivative complaint, *Streicher v. Polk, et al.*, in the United States District Court for the District of Delaware (the “*Streicher Derivative Action*”), purportedly on behalf of the Company against certain of the Company’s current and former officers and directors. On October 30, 2018, another shareholder filed a putative derivative complaint, *Martindale v. Polk, et al.*, in the United States District Court for the District of Delaware (the “*Martindale Derivative Action*”), asserting substantially similar claims purportedly on behalf of the Company against the same defendants. The complaints allege, among other things, violations of the federal securities laws, breaches of fiduciary duties, unjust enrichment, and waste of corporate assets. The factual allegations underlying these claims are similar to the factual allegations made in the *In re Newell Brands, Inc. Securities Litigation* pending in the United States District Court for the District of New Jersey, further described below. The complaints seek unspecified damages and restitution for the Company from the individual defendants, the payment of costs and attorneys’ fees, and that the Company be directed to reform certain governance and internal procedures. The *Streicher Derivative Action* and the *Martindale Derivative Action* have been consolidated and the case is now known as *In re Newell Brands Inc. Derivative Litigation* (the “*Newell Brands Derivative Action*”), which is pending in the United States District Court for the District of Delaware. On January 31, 2019, the United States District Court for the District of Delaware stayed the *Newell Brands Derivative Action* pending the resolution of the motions to dismiss filed in *In re Newell Brands Inc. Securities Litigation* and *Oklahoma Firefighters Pension and Retirement System v. Newell Brands Inc., et al.* (described below).

The Company and certain of its current and former officers and directors have been named as defendants in a putative securities class action lawsuit filed in the Superior Court of New Jersey, Hudson County, on behalf of all persons who acquired Company common stock pursuant or traceable to the S-4 registration statement and prospectus issued in connection with the April 2016 acquisition of Jarden (the “*Registration Statement*”). The action was filed on September 6, 2018, and is captioned *Oklahoma Firefighters Pension and Retirement System v. Newell Brands Inc., et al.*, Civil Action No. HUD-L-003492-18. The operative complaint alleges certain violations of the securities laws, including, among other things, that the defendants made certain materially false and misleading statements and omissions in the *Registration Statement* regarding the Company’s financial results, trends, and metrics. The plaintiff seeks compensatory damages and attorneys’ fees and costs, among other relief, but has not specified the amount of damages being sought. The Company intends to defend the litigation vigorously.

The Company and certain of its officers have been named as defendants in two putative securities class action lawsuits, each filed in the United States District Court for the District of New Jersey, on behalf of all persons who purchased or otherwise acquired the Company’s common stock between February 6, 2017 and January 24, 2018. The first lawsuit was filed on June 21, 2018 and is captioned *Bucks County Employees Retirement Fund, Individually and on behalf of All Others Similarly Situated v. Newell Brands Inc., Michael B. Polk, Ralph J. Nicoletti, and James L. Cunningham, III*, Civil Action No. 2:18-cv-10878 (United States District Court for the District of New Jersey). The second lawsuit was filed on June 27, 2018 and is captioned *Matthew Barnett, Individually and on Behalf of All Others Similarly Situated v. Newell Brands Inc., Michael B. Polk, Ralph J. Nicoletti, and James L. Cunningham, III*, Civil Action No. 2:18-cv-11132 (United States District Court for the District of New Jersey). On September 27, 2018, the court consolidated these two cases under Civil Action No. 18-cv-10878 (JMV)(JBC) bearing the caption *In re Newell Brands, Inc. Securities Litigation*. The court also named Hampshire County Council Pension Fund as the lead plaintiff in the consolidated case. The operative complaint alleges certain violations of the securities laws, including, among other things, that the defendants made certain materially false and misleading statements and omissions regarding the Company’s business, operations, and prospects between February 6, 2017 and January 24, 2018. The plaintiffs seek compensatory damages

and attorneys' fees and costs, among other relief, but have not specified the amount of damages being sought. The Company intends to defend the litigation vigorously. On January 10, 2020, the court in *In re Newell Brands Inc. Securities Litigation* entered a dismissal with prejudice after granting the Company's motion to dismiss. On February 7, 2020, the plaintiffs filed an appeal to the United States Court of Appeals for the Third Circuit.

Jarden Acquisition

Under the Delaware General Corporation Law ("DGCL"), any Jarden stockholder who did not vote in favor of adoption of the Merger Agreement, and otherwise complies with the provisions of Section 262 of the DGCL, was entitled to seek an appraisal of his or her shares of Jarden common stock by the Court of Chancery of the State of Delaware as provided under Section 262 of the DGCL. Two separate appraisal petitions, styled as *Dunham Monthly Distribution Fund v. Jarden Corporation*, Case No. 12454-VCS (Court of Chancery of the State of Delaware), and *Merion Capital LP v. Jarden Corporation*, Case No. 12456-VCS (Court of Chancery of the State of Delaware), respectively, were filed on June 14, 2016 by a total of ten purported Jarden stockholders seeking an appraisal of the fair value of their shares of Jarden common stock pursuant to Section 262 of the DGCL. A third appraisal petition, *Fir Tree Value Master Fund, LP v. Jarden Corporation*, Case No. 12546-VCS (Court of Chancery of the State of Delaware), was filed on July 8, 2016 by two purported Jarden stockholders seeking an appraisal of the fair value of their shares of Jarden common stock pursuant to Section 262 of the DGCL. A fourth appraisal petition, *Veritian Partners Master Fund LTP v. Jarden Corporation*, Case No. 12650-VCS (Court of Chancery of the State of Delaware), was filed on August 12, 2016 by two purported Jarden stockholders seeking an appraisal of the fair value of their shares of Jarden common stock pursuant to Section 262 of the DGCL. On or about October 3, 2016, the foregoing petitions were consolidated for joint prosecution under Case No. 12456-VCS, and, except as provided below, the litigation is ongoing. The holders of a total of approximately 10.6 million former Jarden shares were represented in these actions initially.

On July 5, 2017 and July 6, 2017, Jarden and 11 of the dissenting stockholders, specifically including Merion Capital ERISA LP, Merion Capital LP, Merion Capital II LP, Dunham Monthly Distribution Fund, WCM Alternatives: Event-Driven Fund, Westchester Merger Arbitrage Strategy sleeve of the JNL Multi-Manager Alternative Fund, JNL/Westchester Capital Event Driven Fund, WCM Master Trust, The Merger Fund, The Merger Fund VL and SCA JP Morgan Westchester (collectively, the "Settling Petitioners"), entered into settlement agreements with respect to approximately 7.7 million former Jarden shares (collectively, the "Settlement Agreements"). Pursuant to the Settlement Agreements, in exchange for withdrawing their respective demands for appraisal of their shares of Jarden common stock and a full and final release of all claims, among other things, the Settling Petitioners received the original merger consideration provided for under the Merger Agreement, specifically (1) 0.862 of a share of Newell common stock, and (2) \$21.00 in cash, per share of Jarden common stock (collectively, the "Merger Consideration"), excluding any and all other benefits, including, without limitation, the right to accrued interest, dividends, and/or distributions. Accordingly, pursuant to the terms of the Settlement Agreements, Newell issued 6.6 million shares of Newell common stock to the Settling Petitioners (representing the stock component of the Merger Consideration), and authorized payment to the Settling Petitioners of approximately \$162 million (representing the cash component of the Merger Consideration). The Court of Chancery of the State of Delaware has dismissed with prejudice the appraisal claims for the Settling Petitioners.

Following the settlements, claims from the holders of approximately 2.9 million former Jarden shares remained outstanding in the proceedings. The value of the merger consideration attributable to such shares based on the Company's stock price on the closing date of the Jarden acquisition would have been approximately \$171 million in the aggregate. The fair value of the shares of Jarden common stock held by these dissenting stockholders, as determined by the court, is payable in cash and could be lower or higher than the Merger Consideration to which such Jarden stockholders would have been entitled under the Merger Agreement.

On July 19, 2019, the Court issued an order in which it determined that the fair value of the remaining Jarden shares at the date of the Merger was \$48.31 per share, reflecting approximately \$140 million in value to be paid to the remaining dissenting shareholders. The Court also ordered the payment of accrued interest, compounded quarterly, and accruing from the date of closing to the date of payment. On July 26, 2019, the remaining dissenting shareholders filed a Motion for Reargument asking the Court to amend its valuation to no less than the deal price of \$59.21 per share. On September 16, 2019, the Court denied the Motion for Reargument and affirmed its \$48.31 per share valuation. The Court entered judgment on October 2, 2019. On October 4, 2019, the Company paid the judgment in the amount of approximately \$177 million, which cut off interest accumulation on the judgment amount. The Company reflected \$171 million and \$6 million as a financing cash outflow and operating cash outflow, respectively, within the Company's Consolidated Statement of Cash Flows for the year ended December 31, 2019. On November 1, 2019, the dissenting shareholders filed an appeal to the Supreme Court of Delaware. On July 9, 2020, the Supreme Court of Delaware affirmed the judgment.

Gizmo Children's Cup Recall

In June 2019, a subsidiary of the Company conducted an internal investigation to determine the root cause of an issue related to a product line in the Outdoor and Recreation segment that was reported to the Company by one of its retailers. The Company determined that because of an issue occurring infrequently, but on a random basis, during the manufacturing process, the Gizmo Children's cup may present users with a potential safety concern because the silicone spout may detach from the nylon base. The Company reported the issue to the Consumer Product Safety Commission and Health Canada, and issued a return authorization notice to retail customers. The Company announced a recall of the product on August 27, 2019 offering consumers a replacement lid if they had an affected product. In late 2019, the Company discovered that some product that had been inspected and subsequently resold or used as replacement lids for the recall was exhibiting the same type of separation of the spout from the lid base. The Company investigated the issue and ultimately determined to extend the recall to include the inspected product. The Company reported this conclusion to the relevant authorities and on February 19, 2020 announced an expansion of the recall. The Company has incurred inception to date charges associated with this matter of \$22 million, including \$2 million during the nine months ended September 30, 2020, net of recoveries from a third-party manufacturer.

Environmental Matters

The Company is involved in various matters concerning federal and state environmental laws and regulations, including matters in which the Company has been identified by the U.S. Environmental Protection Agency ("U.S. EPA") and certain state environmental agencies as a potentially responsible party ("PRP") at contaminated sites under the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA") and equivalent state laws. In assessing its environmental response costs, the Company has considered several factors, including the extent of the Company's volumetric contribution at each site relative to that of other PRPs; the kind of waste; the terms of existing cost sharing and other applicable agreements; the financial ability of other PRPs to share in the payment of requisite costs; the Company's prior experience with similar sites; environmental studies and cost estimates available to the Company; the effects of inflation on cost estimates; and the extent to which the Company's, and other parties', status as PRPs is disputed.

The Company's estimate of environmental remediation costs associated with these matters at September 30, 2020 was \$43 million which is included in other accrued liabilities and other noncurrent liabilities in the Condensed Consolidated Balance Sheets. No insurance recovery was taken into account in determining the Company's cost estimates or reserves, nor do the Company's cost estimates or reserves reflect any discounting for present value purposes, except with respect to certain long-term operations and maintenance CERCLA matters. Because of the uncertainties associated with environmental investigations and response activities, the possibility that the Company could be identified as a PRP at sites identified in the future that require the incurrence of environmental response costs and the possibility that sites acquired in business combinations may require environmental response costs, actual costs to be incurred by the Company may vary from the Company's estimates.

Lower Passaic River Matter

U.S. EPA has issued General Notice Letters ("GNLs") to over 100 entities, including the Company and Berol Corporation, a subsidiary of the Company ("Berol"), alleging that they are PRPs at the Diamond Alkali Superfund Site, which includes a 17-mile stretch of the Lower Passaic River and its tributaries. Seventy-two of the GNL recipients, including the Company on behalf of itself and Berol (the "Company Parties"), have taken over the performance of the remedial investigation ("RI") and feasibility study ("FS") for the Lower Passaic River. On April 11, 2014, while work on the RI/FS remained underway, U.S. EPA issued a Source Control Early Action Focused Feasibility Study ("FFS"), which proposed four alternatives for remediation of the lower 8.3 miles of the Lower Passaic River. U.S. EPA's cost estimates for its cleanup alternatives ranged from approximately \$315 million to approximately \$3.2 billion in capital costs plus from approximately \$1 million to \$2 million in annual maintenance costs for 30 years, with its preferred alternative carrying an estimated cost of approximately \$1.7 billion plus an additional approximately \$2 million in annual maintenance costs for 30 years. In February 2015, the participating parties submitted to the U.S. EPA a draft RI, followed by submission of a draft FS in April 2015. The draft FS sets forth various alternatives for remediating the lower 17 miles of the Passaic River, ranging from a "no action" alternative, to targeted remediation of locations along the entire lower 17 mile stretch of the river, to remedial actions consistent with U.S. EPA's preferred alternative as set forth in the FFS for the lower 8.3 miles coupled with monitored natural recovery and targeted remediation in the upper nine miles. The cost estimates for these alternatives ranged from approximately \$28 million to \$2.7 billion, including related operation, maintenance and monitoring costs. U.S. EPA issued a conditional approval of the RI report in June 2019.

U.S. EPA issued a Record of Decision for the lower 8.3 miles of the Lower Passaic River in March 2016 (the "2016 ROD"). The 2016 ROD finalizes as the selected remedy the preferred alternative set forth in the FFS, which U.S. EPA estimates will cost \$1.4 billion. Subsequent to the release of the 2016 ROD, U.S. EPA issued GNLs for the lower 8.3 miles of the Lower Passaic River

(the “2016 GNL”) to numerous entities, apparently including all previous recipients of the initial GNL, including Company Parties, as well as several additional entities. The 2016 GNL states that U.S. EPA would like to determine whether one entity, Occidental Chemical Corporation (“OCC”), will voluntarily perform the remedial design for the selected remedy for the lower 8.3 miles, and that following execution of an agreement for the remedial design, U.S. EPA plans to begin negotiation of a remedial action consent decree “under which OCC and the other major PRPs will implement and/or pay for U.S. EPA’s selected remedy for the lower 8.3 miles of the Lower Passaic River and reimburse U.S. EPA’s costs incurred for the Lower Passaic River.”

In September 2016, OCC and EPA entered into an Administrative Order on Consent for performance of the remedial design. On March 30, 2017, U.S. EPA sent a letter offering a cash settlement in the amount of \$0.3 million to 20 PRPs, not including the Company Parties, for CERCLA Liability (with reservations, such as for Natural Resource Damages) in the lower 8.3 miles of the Lower Passaic River. U.S. EPA further indicated in related correspondence that a cash-out settlement might be appropriate for additional parties that are “not associated with the release of dioxins, furans, or PCBs to the Lower Passaic River.” Then, by letter dated September 18, 2017, U.S. EPA announced an allocation process involving all GNL recipients except those participating in the first-round cash-out settlement, and five public entities. The letter affirms that U.S. EPA anticipates eventually offering cash-out settlements to a number of parties, and that it expects “that the private PRPs responsible for release of dioxin, furans, and/or PCBs will perform the OU2 lower 8.3 mile remedial action.” At this time, it is unclear how the cost of any cleanup would be allocated among any of the parties, including the Company Parties or any other entities. The site is also subject to a Natural Resource Damage Assessment.

Following discussion with U.S. EPA regarding the 2015 draft FS, and U.S. EPA’s issuance of the 2016 ROD, the participating parties refocused the FS on the upper 9 miles of the Lower Passaic River. The parties submitted most portions of a final Interim Remedy FS (the “Draft IR FS”) on August 7, 2020, setting forth remedial alternatives ranging from “no further action” to targeted dredging and capping with different targets for post-remedy surface weighted average concentration of contamination. The cost estimates for these active alternatives range from approximately \$321 million to \$468 million. EPA has indicated it aims to have the IR FS finalized and to issue a Record of Decision for the upper nine miles in late 2020 or early 2021.

OCC has asserted that it is entitled to indemnification by Maxus Energy Corporation (“Maxus”) for its liability in connection with the Diamond Alkali Superfund Site. OCC has also asserted that Maxus’s parent company, YPF, S.A., and certain other affiliates (the “YPF Entities”) similarly must indemnify OCC, including on an “alter ego” theory. On June 17, 2016, Maxus and certain of its affiliates commenced a chapter 11 bankruptcy case in the U.S. Bankruptcy Court for the District of Delaware. In connection with that proceeding, the YPF Entities are attempting to resolve any liability they may have to Maxus and the other Maxus entities undergoing the chapter 11 bankruptcy. An amended Chapter 11 plan of liquidation became effective in July 2017. In conjunction with that plan, Maxus and certain other parties, including the Company, entered into a mutual contribution release agreement (“Passaic Release”) pertaining to certain costs, but not costs associated with ultimate remedy.

On June 30, 2018, OCC sued 120 parties, including the Company and Berol, in the U.S. District Court in New Jersey (“OCC Lawsuit”). OCC subsequently filed a separate, related complaint against 5 additional defendants. The OCC Lawsuit includes claims, counterclaims and cross-claims for cost recovery, contribution, and declaratory judgement under CERCLA. The current, primary focus of the claims, counterclaims and cross-claims against the defendants is on certain past and future costs for investigation, design and remediation of the 17- mile stretch of the Lower Passaic River and its tributaries, other than those subject to the Passaic Release. The complaint notes, however, that OCC may broaden its claims in the future if and when EPA selects remedial actions for other portions of the Site or completes a Natural Resource Damage Assessment. Given the uncertainties pertaining to this matter, including that U.S. EPA is still reviewing the FS, that no framework for or agreement on allocation for the investigation and ultimate remediation has been developed, and that there exists the potential for further litigation regarding costs and cost sharing, the extent to which the Company Parties may be held liable or responsible is not yet known. OCC stated in a subsequent filing that it “anticipates” asserting additional claims against the defendants “regarding Newark Bay,” which is also part of the Diamond Alkali Superfund Site, after U.S. EPA has decided the Newark Bay remedy.

Based on currently known facts and circumstances, the Company does not believe that this matter is reasonably likely to have a material impact on the Company’s results of operations, including, among other factors, because there are numerous other parties who will likely share in any costs of remediation and/or damages. However, in the event of one or more adverse determinations related to this matter, it is possible that the ultimate liability resulting from this matter and the impact on the Company’s results of operations could be material.

Because of the uncertainties associated with environmental investigations and response activities, the possibility that the Company could be identified as a PRP at sites identified in the future that require the incurrence of environmental response costs and the possibility that sites acquired in business combinations may require environmental response costs, actual costs to be incurred by the Company may vary from the Company’s estimates.

Other Matters

Although management of the Company cannot predict the ultimate outcome of these proceedings with certainty, it believes that the ultimate resolution of the Company's proceedings, including any amounts it may be required to pay in excess of amounts reserved, will not have a material effect on the Company's Consolidated Financial Statements, except as otherwise described above.

In the normal course of business and as part of its acquisition and divestiture strategy, the Company may provide certain representations and indemnifications related to legal, environmental, product liability, tax or other types of issues. Based on the nature of these representations and indemnifications, it is not possible to predict the maximum potential payments under all of these agreements due to the conditional nature of the Company's obligations and the unique facts and circumstances involved in each particular agreement. Historically, payments made by the Company under these agreements did not have a material effect on the Company's business, financial condition or results of operations. In connection with the 2018 sale of The Waddington Group, Novolex Holdings, Inc. (the "Buyer") filed suit against the Company in October 2019 in the Superior Court of Delaware. The Buyer generally alleged that the Company fraudulently breached certain representations in the Equity Purchase Agreement between the Company and Buyer, dated May 2, 2018, resulting in an inflated purchase price for The Waddington Group. The Company intends to defend the litigation vigorously.

At September 30, 2020, the Company had approximately \$49 million in standby letters of credit primarily related to the Company's self-insurance programs, including workers' compensation, product liability and medical expenses.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of Newell Brands Inc.'s ("Newell Brands," the "Company," "we," "us" or "our") consolidated financial condition and results of operations. The discussion should be read in conjunction with the accompanying condensed consolidated financial statements and notes thereto.

Forward-Looking Statements

Forward-looking statements in this Quarterly Report on Form 10-Q (this "Quarterly Report") are made in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements generally can be identified by the use of words such as "intend," "anticipate," "believe," "estimate," "explore," "project," "target," "plan," "expect," "setting up," "beginning to," "will," "should," "would," "resume," "remains optimistic for," or similar statements. The Company cautions that forward-looking statements are not guarantees because there are inherent difficulties in predicting future results, including the impact of the COVID-19 pandemic. In addition, there are no assurances that the Company will complete any or all of the potential transactions, or other initiatives referenced here. Actual results may differ materially from those expressed or implied in the forward-looking statements. Important factors that could cause actual results to differ materially from those suggested by the forward-looking statements include, but are not limited to:

- the Company's ability to manage the demand, supply, and operational challenges associated with the actual or perceived effects of the COVID-19 pandemic;
- the Company's dependence on the strength of retail, commercial and industrial sectors of the economy in various parts of the world;
- competition with other manufacturers and distributors of consumer products;
- major retailers' strong bargaining power and consolidation of the Company's customers;
- risks related to the Company's substantial indebtedness, potential increases in interest rates or additional adverse changes in the Company's credit ratings;
- the Company's ability to improve productivity, reduce complexity and streamline operations;
- future events that could adversely affect the value of our assets and/or stock price and require additional impairment charges;
- the Company's ability to remediate the material weakness in internal control over financial reporting and to maintain effective internal control over financial reporting;
- the Company's ability to develop innovative new products, to develop, maintain and strengthen end user brands and to realize the benefits of increased advertising promotion and spend;
- unexpected costs or expenses associated with acquisitions and divestitures;
- changes in the prices and availability of labor, transportation, raw materials and sourced products and the Company's ability to obtain them in a timely manner;
- the impact of governmental investigations, inspections, lawsuits or other activities by third parties;
- the risks inherent to the Company's foreign operations, including currency fluctuations, exchange controls and pricing restrictions;
- a failure of one of the Company's key information technology systems, networks, processes or related controls or those of the Company's services providers;
- the impact of U.S. or foreign regulations on the Company's operations, including the escalation of tariffs on imports into the U.S. and exports to Canada, China and the European Union and environmental remediation costs;
- the potential inability to attract, retain and motivate key employees;
- new Treasury or tax regulations and the resolution of tax contingencies resulting in additional tax liabilities;
- product liability, product recalls or related regulatory actions;
- the Company's ability to protect its intellectual property rights;
- significant increases in the funding obligations related to the Company's pension plans; and
- other factors listed from time to time in our SEC filings, including but not limited to our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

The information contained in this Report is as of the date indicated. The Company assumes no obligation to update any forward-looking statements contained in this Report as a result of new information or future events or developments. In addition, there can be no assurance that the Company has correctly identified and assessed all of the factors affecting the Company or that the publicly available and other information the Company receives with respect to these factors is complete or correct.

Overview

Newell Brands is a global marketer of consumer and commercial products that make life better every day for consumers, where they live, learn, work and play. Our products are marketed under a strong portfolio of leading brands, including Paper Mate®, Sharpie®, Dymo®, EXPO®, Parker®, Elmer's®, Coleman®, Marmot®, Oster®, Sunbeam®, FoodSaver®, Mr. Coffee®, Rubbermaid Commercial Products®, Graco®, Baby Jogger®, NUK®, Calphalon®, Rubbermaid®, Contigo®, First Alert®, Mapa®, Spontex®, Quickie® and Yankee Candle®. The Company sells its products in nearly 200 countries around the world and has operations on the ground in over 40 of these countries, excluding third-party distributors.

Business Strategy

The Company is currently executing a turnaround strategy, with the vision of building a global, next generation consumer products company that can unleash the full potential of its brands in a fast moving omni-channel environment. These strategies are designed to address key challenges facing the Company, including: shifting consumer preferences and behaviors; a highly competitive operating environment; a rapidly changing retail landscape, including the growth in e-commerce; continued macroeconomic and political volatility; and an evolving regulatory landscape.

The Company has identified the following strategic imperatives to address and adapt to these challenges during its turnaround period:

- Strengthen the portfolio by investing in attractive categories aligned with its capabilities and strategy;
- Sustainable profitable growth by focusing on innovation, as well as growth in digital marketing, e-commerce and its international businesses;
- Attractive margins by driving productivity and overhead savings, while reinvesting into the business;
- Cash efficiency by improving key working capital metrics, resulting in a lower cash conversion cycle; and
- Build a winning team through engagement and focusing the best people on the right things.

Execution of these strategic imperatives will better position the Company for long-term sustainable growth in order to achieve its short-to-near-term goals of:

- Growing core sales;
- Improving operating margins;
- Accelerating cash conversion cycle; and
- Strengthening organizational capability and employee engagement.

Organizational Structure

The Company's five primary reportable segments are the following:

Segment	Key Brands	Description of Primary Products
Appliances and Cookware	Calphalon®, Crock-Pot®, Mr. Coffee®, Oster® and Sunbeam®	Household products, including kitchen appliances, gourmet cookware, bakeware and cutlery
Commercial Solutions	BRK®, First Alert®, Mapa®, Quickie®, Rubbermaid Commercial Products®, and Spontex®	Commercial cleaning and maintenance solutions; hygiene systems and material handling solutions; connected home and security and smoke and carbon monoxide alarms
Home Solutions	Ball® (1), Chesapeake Bay Candle®, FoodSaver®, Rubbermaid®, Sistema®, WoodWick® and Yankee Candle®	Food and home storage products; fresh preserving products, vacuum sealing products and home fragrance products
Learning and Development	Aprica®, Baby Jogger®, Dymo®, Elmer's®, EXPO®, Graco®, Mr. Sketch®, NUK®, Paper Mate®, Parker®, Prismacolor®, Sharpie®, Tigex® Waterman® and X-Acto®	Baby gear and infant care products; writing instruments, including markers and highlighters, pens and pencils; art products; activity-based adhesive and cutting products and labeling solutions
Outdoor and Recreation	Coleman®, Contigo®, ExOfficio®, Marmot®	Products for outdoor and outdoor-related activities

(1) Ball® TM of Ball Corporation, used under license.

The Company also provides general corporate services to its segments which is reported as a non-operating segment, Corporate. See Footnote 17 of the Notes to the Unaudited Condensed Consolidated Financial Statements for further information.

Recent Developments

Coronavirus (COVID-19)

Beginning late in the fourth quarter of 2019 and into 2020, COVID-19 emerged and subsequently spread globally, ultimately being declared as a pandemic by the World Health Organization. The pandemic resulted in various federal, state and local governments, as well as private entities, mandating restrictions on travel and public gatherings, closure of non-essential commerce, stay at home orders and quarantining of people who may have been exposed to the virus. The Company experienced significant COVID-19 related disruption to its business in three primary areas:

- **Supply chain.** While the majority of the Company's factories are considered essential in their applicable jurisdictions and have remained operational, the company experienced disruption at certain of its facilities. Of its 135 manufacturing and distribution facilities, approximately 20 were temporarily closed at the end of the first quarter of 2020, the most significant of which were its South Deerfield, MA, Home Fragrance plant, its Mexicali, Mexico and India Writing facilities and its Juarez, Mexico Connected Home and Security facility, all of which were closed in line with state government guidelines. By the end of the second quarter, substantially all of the Company's manufacturing and distribution facilities reopened and were operating at or near capacity. Since then, the Company's facilities have replenished most of the inventory levels that were depleted by lost production during the temporary closure period. The Company does, however, continue to face intermittent supply and labor shortages, capacity constraints, and transportation and logistical challenges and expects this to persist until the conditions improve globally.
- **Retail.** While the Company's largest retail customers experienced a surge in sales as their stores remained open, a number of secondary customers, primarily in the specialty and department store channels, temporarily closed their brick and mortar doors, and began to reopen towards the end of the second quarter in certain regions where conditions improved. These dynamics, in combination with some retailers' prioritization of essential items, have had a meaningful impact on retailers' order patterns. In addition, the Company temporarily closed its Yankee Candle retail stores in North America as of mid-March. All of these stores reopened during the third quarter.
- **Consumer demand patterns.** During the quarantine phase of the pandemic, consumer purchasing behavior strongly shifted to certain focused categories. While certain of the Company's product categories in the Food, Commercial,

Appliances and Cookware, and Outdoor and Recreation business units have benefited from this shift, others experienced significant slowing. The Company anticipates the changes in consumer purchasing patterns in the Writing business unit as well as the shift to remote learning for schools and other higher education programs this Fall to continue to adversely impact the segment's performance through the remainder of 2020.

In response to the COVID-19 pandemic, the Company focused on protecting the health and well-being of its employees; maintaining financial viability and business continuity; and keeping manufacturing facilities and distribution centers operating, where permitted and deemed prudent, to provide products to our consumers. The Company established internal protocols including the establishment of a COVID-19 task force to monitor the situation, as well as communications and guidance issued by foreign, federal, state and local governments. In the first quarter 2020, the Company instituted mandatory work-from-home policies for employees able to work from home in various locations around the world and implemented a number of precautionary measures at its manufacturing plants, warehouses, distribution centers and R&D centers to reduce person to person contact and improve the personal safety for our front-line employees. Furthermore, beginning in mid-March 2020, the Company temporarily closed all of the world-wide retail stores within the Home Solutions segment. By the end of the third quarter, all of the Company's temporarily closed manufacturing and distribution sites reopened and are operating at or near capacity. In addition, most of the Company's office locations have reopened on a limited basis.

The Company continues to monitor developments, including government requirements and recommendations at the national, state, and local level to evaluate possible cessation or extensions to all or part of such initiatives. As part of the Company's efforts to contain costs and maintain financial liquidity and flexibility, it has taken certain actions including: instituting a hiring freeze for non-essential roles, furloughing all field-based and most corporate retail employees in North America, effective April 1, 2020, tightening discretionary spending as well as reducing and optimizing advertising and promotional expenses. During the second quarter largely in response to the impact of the COVID-19 pandemic, the Company also announced a new restructuring program to reduce overhead costs, streamline certain underperforming operations and improve future profitability. See "*2020 Restructuring Program*" below for further information.

While the negative effects from the COVID-19 global pandemic in the first half of 2020 were material to the Company's operating results, the Company has seen positive sequential momentum and experienced 5% year-over-year sales growth during the third quarter. Due to this performance, the Company remains optimistic for improvement in its financial results over the second half of 2020, however, it believes the extent of the impact of the COVID-19 pandemic to its businesses, operating results, cash flows, liquidity and financial condition will be primarily driven by the severity and duration of the pandemic, the pandemic's impact on the U.S. and global economies and the timing, scope and effectiveness of federal, state and local governmental responses to the pandemic, especially in areas where conditions have recently worsened. Those primary drivers are beyond the Company's knowledge and control, and as a result, at this time it is difficult to predict the cumulative impact, both in terms of severity and duration, COVID-19 will have on its sales, operating results, cash flows and financial condition. Furthermore, the impact to the Company's businesses, operating results, cash flows, liquidity and financial condition may be further adversely impacted if the COVID-19 global pandemic continues to exist or worsens for a prolonged period of time.

See Footnote 1 of the Notes to the Unaudited Condensed Consolidated Financial Statements, Goodwill and Other Indefinite-Lived Intangible Asset Trigger Event, Liquidity and Capital Resources, Significant Accounting Policies and Critical Estimates for information and Risk Factors in Part II, Item 1A for further information.

Indefinite-Lived Intangible Asset Trigger Event

During the third quarter of 2020, the Company concluded that a triggering event had occurred for an indefinite-lived intangible asset in the Learning and Development segment. Pursuant to the authoritative literature the Company performed an impairment test and determined that an indefinite-lived intangible asset was impaired. During the three months ended September 30, 2020, the Company recorded a non-cash charge of \$2 million to reflect impairment of this indefinite-lived trade name as its carrying value exceeded their fair value.

See Footnotes 1 and 7 of the Notes to the Unaudited Condensed Consolidated Financial Statements and Significant Accounting Policies and Critical Estimates for information.

Impacts of Tariffs

The United States Trade Representative (“USTR”) has imposed increased tariffs on some Chinese goods imported into the United States, resulting in increased costs for the Company. The Company has been successful at securing from the USTR exemptions and exclusions for some of its products, with the most notable exemptions being for certain of its baby gear products, which represents a substantial portion of the Company’s tariff exposure. The Company has largely mitigated its tariff exposure, in part through pricing, productivity and, in some cases, relocation. The Phase 1 agreement signed on January 15, 2020 with China reduced tariffs under List 4a from 15% to 7.5%, effective February 14, 2020, and suspended 301 tariffs under List 4b, which were due to go into effect on December 15, 2019. The terms of the agreement significantly reduced the estimated impact on tariffs for 2020. In spite of the agreement, a full year of previously implemented tariffs could have a material impact on the Company's operating results and cash flows, with an estimated gross impact of approximately \$80 million in 2020, primarily relating to its Appliances and Cookware, Commercial Solutions, and Outdoor and Recreation businesses. During the three and nine months ended September 30, 2020, the gross impact was approximately \$25 million and \$60 million, respectively. The Company will continue to monitor the trade negotiations and deploy mitigation efforts to offset the gross exposure. However, there can be no assurance that the Company will be successful in its mitigation efforts.

U.S. Treasury Regulations

On June 18, 2019, the U.S. Treasury and the Internal Revenue Service (“IRS”) released temporary regulations under IRC Section 245A (“Section 245A”) as enacted by the 2017 U.S. Tax Reform Legislation (“2017 Tax Reform”) and IRC Section 954(c)(6) (the “Temporary Regulations”) to apply retroactively to the date the 2017 Tax Reform was enacted. On August 21, 2020, the U.S. Treasury and IRS released finalized versions of the Temporary Regulations (collectively with the Temporary Regulations, the “Regulations”). The Regulations seek to limit the 100% dividends received deduction permitted by Section 245A for certain dividends received from controlled foreign corporations and to limit the applicability of the look-through exception to foreign personal holding company income for certain dividends received from controlled foreign corporations. Before the retroactive application of the Regulations, the Company benefited in 2018 from both the 100% dividends received deduction and the look-through exception to foreign personal holding company income. The Company analyzed the Regulations and concluded the relevant Regulations were not validly issued. Therefore, the Company has not accounted for the effects of the Regulations in its Condensed Consolidated Financial Statements for the period ending September 30, 2020. The Company believes it has strong arguments in favor of its position and believes it has met the more likely than not recognition threshold that its position will be sustained. However, due to the inherent uncertainty involved in challenging the validity of regulations as well as a potential litigation process, there can be no assurances that the relevant Regulations will be invalidated or that a court of law will rule in favor of the Company. If the Company’s position on the Regulations is not sustained, the Company would be required to recognize an income tax expense of approximately \$180 million to \$220 million related to an income tax benefit from fiscal year 2018 that was recorded based on regulations in existence at the time. In addition, the Company may be required to pay any applicable interest and penalties. The Company intends to vigorously defend its position.

Results of Operations

Three Months Ended September 30, 2020 vs. Three Months Ended September 30, 2019

Consolidated Operating Results

(in millions)	Three Months Ended September 30,			
	2020	2019	\$ Change	% Change
Net sales	\$ 2,699	\$ 2,569	\$ 130	5.1%
Gross profit	914	847	67	7.9%
Gross margin	33.9 %	33.0 %		
Operating income (loss)	363	(857)	1,220	NM
Operating margin	13.4 %	(33.4)%		
Interest expense, net	71	75	(4)	(5.3)%
Loss on extinguishment of debt	—	29	(29)	(100.0)%
Other expense, net	9	7	2	28.6%
Income (loss) before income taxes	283	(968)	1,251	NM
Income tax provision (benefit)	(21)	(327)	306	93.6%
Income tax rate	(7.4)%	33.8 %		
Diluted earnings (loss) per share - continuing operations	\$ 0.71	\$ (1.51)		
Diluted earnings per share - discontinued operations	—	0.03		
Diluted earnings (loss) per share - attributable to common shareholders	\$ 0.71	\$ (1.48)		

NM - NOT MEANINGFUL

Net sales for the three months ended September 30, 2020 increased 5%. The Appliances and Cookware, Commercial Solutions, Home Solutions and Outdoor and Recreation segments experienced a significant increase in demand, notably through online channels, while the Learning and Development segment was negatively impacted by delayed and limited opening of schools and offices caused by the COVID-19 global pandemic. Changes in foreign currency unfavorably impacted net sales by \$22 million, or 1%.

Gross profit for the three months ended September 30, 2020 increased 8%, and gross profit margin improved to 33.9% as compared with 33.0% in the prior year period. The gross margin improvement was driven by favorable absorption costs on higher sales volume and productivity improvement. In addition, the gross margin improvement was partially due to the cumulative depreciation expense recorded in the prior year quarter as a result of the Company's decision to retain the Rubbermaid Commercial Products, Rubbermaid Outdoor, Closet, Refuse, Garage and Cleaning businesses (the "Commercial Business"). This performance was partially offset by unfavorable business unit mix, inflation related to input costs and tariffs and increased costs across most of the Company's business units related to the COVID-19 global pandemic, including increased employee costs, such as expanded benefits and frontline incentives, and other costs, such as procurement of personal protective equipment. Changes in foreign currency exchange rates unfavorably impacted gross profit by \$4 million.

In addition to the increase in net sales and gross profit noted above, notable items impacting operating income (loss) for the three months ended September 30, 2020 and 2019 are as follows:

	Three Months Ended September 30,		
	2020	2019	\$ Change
Impairment of goodwill and intangible assets (See Footnote 7)	\$ 2	\$ 1,071	\$ (1,069)
Restructuring (See Footnote 4) and restructuring-related costs	9	27	(18)
Transactions and related costs	1	9	(8)
Held for sale depreciation and amortization catch-up adjustment (See Footnotes 6 and 7)	—	40	(40)

Operating income for the three months ended September 30, 2020 was \$363 million as compared to operating loss of \$857 million in the prior year period. The change is primarily due to the non-cash impairment charges recorded in the prior-year quarter and the cumulative depreciation and amortization expense adjustment recorded as a result of the Company's decision to retain the Commercial Business. In addition, this performance reflected lower restructuring and restructuring-related costs, transaction costs associated with the completion of the Company's Accelerated Transformation Plan ("ATP") in the prior-year quarter, and lower overhead costs and discretionary spending, including advertising and promotional costs.

As mentioned above, the Company experienced sales growth across four of its segments during the third quarter. In addition, as of the end of the third quarter, all of the Company's manufacturing and distribution facilities reopened and are operating at or near capacity. The Company's facilities have replenished most of the inventory levels that were depleted by lost production during the temporary closure period. The Company does, however, continue to face intermittent supply and labor shortages, capacity constraints, and transportation and logistical challenges, which have negatively impacted net sales growth, and expects this to persist until the conditions improve globally. At this time, while the Company has seen improving sales trends across its business units and remains optimistic for continued sales growth over the remainder of 2020, the Company is unable to predict any further impact, both in terms of severity and duration, that the COVID-19 global pandemic will have on its businesses, customers and suppliers. While the Company has deployed cost containment initiatives to mitigate the impact of the pandemic, such actions may not be sufficient to mitigate the entire impact. The Company will continue to monitor developments, including government requirements and recommendations to evaluate possible further cessation or extensions of its operations. See Footnote 1 of the Notes to the Unaudited Condensed Consolidated Financial Statements and Significant Accounting Policies and Critical Estimates for further information.

Interest expense, net for the three months ended September 30, 2020 decreased primarily due to lower debt levels, partially offset by higher interest rates as a result of the previously disclosed debt ratings downgrades (See Footnote 9 of the Notes to the Unaudited Condensed Consolidated Financial Statements). The weighted average interest rate for the three months ended September 30, 2020 and 2019 was approximately 4.7% and 4.6%, respectively.

During the three months ended September 30, 2019, the Company recorded a loss on the extinguishment of debt of \$29 million in connection with the Company's tender offer of certain of its senior notes. See Footnotes 9 and 10 of the Notes to the Unaudited Consolidated Financial Statements for further information.

Other expense, net for three months ended September 30, 2020 and 2019 includes the following items:

	Three Months Ended September 30,	
	2020	2019
Foreign exchange losses, net	\$ —	\$ 5
Fair value equity adjustments (see Footnote 16)	—	1
Loss on disposition of businesses	9	—
Other losses, net	—	1
	<u>\$ 9</u>	<u>\$ 7</u>

Income tax benefit for the three months ended September 30, 2020 and 2019 was \$21 million and \$327 million, respectively. The effective tax rate for the three months ended September 30, 2020 was (7.4)% as compared to 33.8% for the three months ended

September 30, 2019. The income tax benefit for the three months ended September 30, 2020 includes a discrete tax benefit of \$87 million associated with the execution of certain tax planning strategies and \$53 million for a reduction in valuation allowance related to integration of certain U.S. operations, partially offset by \$47 million deferred tax effects associated with certain outside basis differences. The income tax benefit for the three months ended September 30, 2019 includes tax benefits of \$246 million related to the impairment of certain intangible assets of the Company, \$74 million for the expiration of uncertain tax positions and \$32 million related to certain Federal return to provision adjustments.

See Footnote 12 of the Notes to the Unaudited Condensed Consolidated Financial Statements and U.S. Treasury Regulations in Recent Developments for information regarding income taxes.

Business Segment Operating Results

Three Months Ended September 30, 2020 vs. Three Months Ended September 30, 2019

Appliances and Cookware

(in millions)	Three Months Ended September 30,			
	2020	2019	\$ Change	% Change
Net sales	\$ 479	\$ 430	\$ 49	11.4%
Operating income (loss)	32	(595)	627	NM
Operating margin	6.7 %	NM		

Notable items impacting operating income (loss) comparability:

Impairment of goodwill and other intangible assets (See Footnote 7)	\$ —	\$ 609		
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NM - NOT MEANINGFUL

Appliances and Cookware net sales for the three months ended September 30, 2020 increased 11%, which reflects strong sales growth driven by category growth of stay-at-home usage products, including cooking appliances and blenders, most notably in Latin America, the U.S., the U.K. and Australia. Changes in foreign currency unfavorably impacted net sales by \$24 million, or 5%.

Operating income for the three months ended September 30, 2020 increased to \$32 million as compared to operating loss of \$595 million in the prior year quarter. The change in operating performance is primarily due to the non-cash impairment charges recorded in the prior-year quarter. The increase also reflects higher gross profit associated with higher sales volume as well as productivity, and lower discretionary spending, including advertising and promotional costs, partially offset by transactional foreign exchange losses in Latin America.

Commercial Solutions

(in millions)	Three Months Ended September 30,			
	2020	2019	\$ Change	% Change
Net sales	\$ 535	\$ 475	\$ 60	12.6%
Operating income (loss)	84	(216)	300	NM
Operating margin	15.7 %	(45.5)%		
Notable items impacting operating income (loss) comparability:				
Impairment of goodwill and other intangible assets (See Footnote 7)	\$ —	\$ 236		
Held for sale depreciation and amortization catch-up adjustment (See Footnotes 6 and 7)	—	40		
<i>NM - NOT MEANINGFUL</i>				

Commercial Solutions net sales for the three months ended September 30, 2020 increased 13%, reflecting an increase in both the Commercial and Connected Home and Security business units. The Commercial business unit sales performance reflected an increased demand in the washroom solutions, refuse, hand protection, and outdoor and laundry categories, partially offset by weakness in food service and hospitality vertical channels as a result of the continuing COVID-19 pandemic. The increase in the Connected Home and Security business unit was primarily due to the timing of shipments and higher demand from retail channels, partially offset by supply chain constraints associated with the ongoing COVID-19 pandemic that impacted sales to its other retail and contractor channels. Changes in foreign currency unfavorably impacted net sales by \$2 million.

Operating income for the three months ended September 30, 2020 increased to \$84 million as compared to operating loss of \$216 million in the prior-year quarter. The change in operating performance is primarily due to the non-cash impairment charges recorded in the prior-year quarter, which reflected a decrease in the carrying values of Mapa/Spontex and Quickie while these businesses were classified as held for sale, and the cumulative depreciation and amortization expense adjustment recorded in 2019 as a result of the Company's decision to retain the Commercial Business. Operating income was favorably impacted by higher gross profit due to higher sales volume, gross productivity and lower discretionary spending, including advertising and promotional costs, partially offset by negative impact of inflation and product mix.

Home Solutions

(in millions)	Three Months Ended September 30,			
	2020	2019	\$ Change	% Change
Net sales	\$ 574	\$ 484	\$ 90	18.6%
Operating income (loss)	112	(112)	224	NM
Operating margin	19.5 %	(23.1)%		
Notable items impacting operating income (loss) comparability:				
Impairment of goodwill and other intangible assets (See Footnote 7)	\$ —	\$ 158		
<i>NM - NOT MEANINGFUL</i>				

Home Solutions net sales for the three months ended September 30, 2020 increased 19%, reflecting an increase in both the Food and Home Fragrance business units. The increase in sales from the Food business unit reflected increased demand across the vacuum sealing, fresh preserving and food storage categories, as a result of the ongoing COVID-19 pandemic, partially offset by capacity constraints negatively impacting these categories. The increase in Home Fragrance sales was due to an increase in demand at certain mass market retailers and domestic online channels, and the timing of promotional strategies. The increase in Home Fragrance sales was partially offset by the exit of 15 underperforming Yankee Candle retail stores, as well as capacity

constraints associated with labor shortages. Changes in foreign currency favorably impacted net sales by \$4 million, or 1%.

Operating income for the three months ended September 30, 2020 increased to \$112 million as compared to an operating loss of \$112 million in the prior year period. The change in operating income is due primarily to the prior year non-cash impairment charges. The operating income performance also primarily reflected higher gross profit due to higher sales volume, lower discretionary spending, including advertising and promotional costs, and gross productivity. In addition, the re-opening of Yankee Candle retail stores during the third quarter resulted in higher product demand from customers that were unable to shop in these stores during the temporary closure period.

Learning and Development

(in millions)	Three Months Ended September 30,			
	2020	2019	\$ Change	% Change
Net sales	\$ 728	\$ 824	\$ (96)	(11.7)%
Operating income	159	182	(23)	(12.6)%
Operating margin	21.8 %	22.1 %		

Learning and Development net sales for the three months ended September 30, 2020 decreased 12%, reflecting a decrease in the Writing business unit, partially offset by an increase in the Baby and Parenting business unit. The decrease in the Writing business unit was primarily due to the impact of the delayed and limited re-opening of schools and offices, as a result of the COVID-19 global pandemic, which negatively impacted consumption patterns of markers, pens and dry erase products. The net sales decline also reflected government-mandated shutdowns in certain Latin American countries, and softening trends related to sales of slime-related adhesive products as well as the exiting of the North American distribution of Uniball® Products in the prior year. The Company anticipates the changes in consumer purchasing patterns in the Writing business unit as well as the shift to remote learning for many schools and other higher education programs this fall will continue to adversely impact the segment's performance through the remainder of 2020. The increase in net sales in the Baby and Parenting business unit reflected higher demand in online channels. Changes in foreign currency favorably impacted net sales by \$2 million.

Operating income for the three months ended September 30, 2020 decreased to \$159 million as compared to \$182 million in the prior year period. Operating income was unfavorably impacted by lower sales as mentioned above and increased costs associated with the COVID-19 global pandemic, partially offset by lower overhead, productivity improvements and discretionary spending, including advertising and promotional costs.

Outdoor and Recreation

(in millions)	Three Months Ended September 30,			
	2020	2019	\$ Change	% Change
Net sales	\$ 383	\$ 356	\$ 27	7.6%
Operating income (loss)	40	(41)	81	NM
Operating margin	10.4 %	(11.5)%		

Notable items impacting operating income (loss) comparability:

Impairment of goodwill and other intangible assets (See Footnote 7)	\$ —	\$ 67		
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NM - NOT MEANINGFUL

Outdoor and Recreation net sales for the three months ended September 30, 2020 increased 8% primarily due to favorable timing of shipments and improving trends in consumer purchasing patterns in outdoor products, partially offset by decreased demand in apparel and beverage products. Changes in foreign currency unfavorably impacted net sales by \$2 million, or 1%.

Operating income for the three months ended September 30, 2020 increased to \$40 million as compared to operating loss of \$41 million in the prior-year quarter. The change in operating performance is primarily due to the non-cash impairment charge recorded in the prior-year quarter, higher gross profit associated with higher sales volume, lower overhead costs and discretionary spending, and productivity improvements, partially offset by unfavorable net pricing and product mix, as well as increased costs associated with the COVID-19 global pandemic.

Results of Operations

Nine Months Ended September 30, 2020 vs. Nine Months Ended September 30, 2019

Consolidated Operating Results

(in millions)	Nine Months Ended September 30,			
	2020	2019	\$ Change	% Change
Net sales	\$ 6,696	\$ 7,091	\$ (395)	(5.6)%
Gross profit	2,195	2,367	(172)	(7.3)%
Gross margin	32.8 %	33.4 %		
Operating loss	(882)	(614)	(268)	(43.6)%
Operating margin	(13.2)%	(8.7)%		
Interest expense, net	205	233	(28)	(12.0)%
Loss on extinguishment of debt	—	29	(29)	(100.0)%
Other expense, net	20	33	(13)	(39.4)%
Loss before income taxes	(1,107)	(909)	(198)	(21.8)%
Income tax benefit	(210)	(317)	107	33.8%
Income tax rate	19.0 %	34.9 %		
Diluted loss per share - continuing operations	\$ (2.12)	\$ (1.40)		
Diluted loss per share - discontinued operations	—	(0.22)		
Diluted loss per share - attributable to common shareholders	\$ (2.12)	\$ (1.62)		

Net sales for the nine months ended September 30, 2020 decreased 6%, primarily due to a decline in sales within the Learning and Development and Outdoor and Recreation segments. Certain products within the Appliances and Cookware, Commercial Solutions and Home Solutions segments experienced an increase in demand, notably through online channels, while the Learning and Development segment was impacted by changes in consumer purchasing patterns as well as delays and limited opening of schools and offices caused by the COVID-19 global pandemic. Net sales in the Outdoor and Recreation segment were negatively impacted by lower overall demand through the first half of the year, but have since experienced positive sales trends. Changes in foreign currency unfavorably impacted net sales by \$104 million, or 2%.

Gross profit for the nine months ended September 30, 2020 decreased 7%, and gross profit margin declined to 32.8% as compared with 33.4% in the prior year period. The gross margin decline was driven by higher absorption costs associated with lower sales volume and certain temporary manufacturing closures, primarily during the first half of the year, as well as business unit mix and inflation related to input costs and tariffs. The decline in gross margin also reflected increased costs across most of its business units related to the COVID-19 pandemic, including increased employee costs, such as expanded benefits and frontline incentives, and other costs, such as procurement of personal protective equipment. The gross profit decline was partially offset by the cumulative depreciation expense recorded during the prior year, as a result of the Company's decision to retain the Commercial Business, as well as gross productivity. Changes in foreign currency exchange rates unfavorably impacted gross profit by \$26 million, or 1%.

As mentioned above, the Company experienced sales growth across four of its segments during the third quarter. In addition, as of the end of the third quarter, all of the Company's manufacturing and distribution facilities reopened and are operating at or near capacity. The Company's facilities have replenished most of the inventory levels that were depleted by lost production during the temporary closure period. The Company does, however, continue to face intermittent supply and labor shortages, capacity constraints, and transportation and logistical challenges, which have negatively impacted net sales growth, and expects this to persist until the conditions improve globally. At this time, while the Company has seen improving sales trends across its business units and remains optimistic for continued sales growth over the remainder of 2020, the Company is unable to predict any further impact, both in terms of severity and duration, that the COVID-19 global pandemic will have on its businesses, customers and suppliers. While the Company has deployed cost containment initiatives to mitigate the impact of the pandemic, such actions may not be sufficient to mitigate the entire impact. The Company will continue to monitor developments, including government requirements and recommendations to evaluate possible further cessation or extensions of its operations. See Footnote 1 of the Notes to the Unaudited Condensed Consolidated Financial Statements and Significant Accounting Policies and Critical Estimates for further information.

In addition to the decline in net sales and gross profit noted above, notable items impacting operating loss for the nine months ended September 30, 2020 and 2019 are as follows:

	Nine Months Ended September 30,		
	2020	2019	\$ Change
Impairment of goodwill and intangible assets (See Footnote 7)	\$ 1,471	\$ 1,145	\$ 326
Restructuring (See Footnote 4) and restructuring-related costs	32	62	(30)
Transactions and related costs	3	25	(22)
Held for sale depreciation and amortization catch-up adjustment (See Footnotes 6 and 7)	—	40	(40)

Operating loss for the nine months ended September 30, 2020 was \$882 million as compared to operating loss of \$614 million in the prior year period. Operating loss for the nine months ended September 30, 2020 included non-cash impairment charges of goodwill and certain indefinite-lived intangible assets of \$1.5 billion as compared to \$1.1 billion in the prior-year period, which included non-cash impairment charges of goodwill for businesses previously classified as held for sale. This performance was partially offset by productivity improvement from various initiatives, lower restructuring and restructuring-related charges, lower overhead costs and discretionary spending, including advertising and promotional costs, and lower transaction and related costs associated with the completion of the ATP in the prior year.

Interest expense, net for the nine months ended September 30, 2020 decreased primarily due to lower debt levels, slightly offset by the higher rate as a result of previously disclosed debt ratings downgrades. See Footnote 9 of the Notes to the Unaudited Condensed Consolidated Financial Statements for further information. The weighted average interest rate for both the nine months ended September 30, 2020 and 2019 was approximately 5%.

Other expense, net for nine months ended September 30, 2020 and 2019 includes the following items:

	Nine Months Ended September 30,		
	2020	2019	
Foreign exchange losses, net	\$ 11	\$ 11	\$ 13
Fair value equity adjustments (see Footnote 16)	1	1	19
Loss on disposition of businesses	9	9	—
Other (gains) losses, net	(1)	(1)	1
	<u>\$ 20</u>	<u>\$ 20</u>	<u>\$ 33</u>

Income tax benefit for the nine months ended September 30, 2020 was \$210 million as compared to the nine months ended September 30, 2019 of \$317 million, respectively. The effective tax rate for the nine months ended September 30, 2020 was 19.0% as compared to 34.9% for the nine months ended September 30, 2019. The income tax benefit for the nine months ended September 30, 2020 primarily relates to the impact of goodwill impairment charges, two discrete tax benefits totaling \$110 million associated with the execution of certain tax planning strategies and \$53 million for a reduction in valuation allowance.

related to integration of certain U.S. operations, partially offset by \$47 million deferred tax effects associated with certain outside basis differences and tax expense of \$27 million related to a change in the tax status of certain entities upon Internal Revenue Service approval. The income tax benefit for the nine months ended September 30, 2019 primarily relates to the impact of goodwill impairment charges, tax benefits of \$246 million related to the impairment of certain intangible assets of the Company, \$74 million for the expiration of uncertain tax positions and \$32 million related to certain Federal return to provision adjustments.

See Footnote 12 of the Notes to the Unaudited Condensed Consolidated Financial Statements and U.S. Treasury Regulations in Recent Developments for information regarding income taxes.

Business Segment Operating Results

Nine Months Ended September 30, 2020 vs. Nine Months Ended September 30, 2019

Appliances and Cookware

(in millions)	Nine Months Ended September 30,			
	2020	2019	\$ Change	% Change
Net sales	\$ 1,129	\$ 1,122	\$ 7	0.6%
Operating loss	(266)	(593)	327	55.1%
Operating margin	(23.6)%	(52.9)%		

Notable items impacting operating loss comparability:

Impairment of goodwill and other intangible assets (See Footnote 7)	\$ 299	\$ 609		
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Appliances and Cookware net sales for the nine months ended September 30, 2020 increased 1%, which reflects strong sales growth driven by category growth of stay at home usage products, including cooking appliances, most notably in Latin America, the U.S., the U.K. and Australia. This performance was partially offset by continued loss in domestic market share in North America for certain appliance categories driven by the success of newly launched competitive products. Changes in foreign currency unfavorably impacted net sales by \$60 million, or 5%.

Operating loss for the nine months ended September 30, 2020 was \$266 million as compared to \$593 million in the prior year period. The improvement in operating result is primarily due to lower non-cash impairment charges of goodwill and certain indefinite-lived intangible assets as well as productivity improvements and lower discretionary spending including advertising and promotional costs, partially offset by transactional foreign exchange losses in Latin America.

Commercial Solutions

(in millions)	Nine Months Ended September 30,			
	2020	2019	\$ Change	% Change
Net sales	\$ 1,361	\$ 1,343	\$ 18	1.3%
Operating loss	(148)	(171)	23	13.5%
Operating margin	(10.9)%	(12.7)%		
Notable items impacting operating loss comparability:				
Impairment of goodwill and other intangible assets (See Footnote 7)	\$ 320	\$ 310		
Held for sale depreciation and amortization catch-up adjustment (See Footnotes 6 and 7)	\$ —	\$ 40		

Commercial Solutions net sales for the nine months ended September 30, 2020 increased 1%, which reflected sales growth in the Commercial business, partially offset by decline in the Connected Home and Security business unit. The Commercial business unit performance reflected increased demand in the washroom solutions, refuse, hand protection, and outdoor and laundry categories, partially offset by weakness in food service and hospitality vertical channels as a result of the ongoing COVID-19 pandemic. The decline in net sales in the Connected Home and Security business unit was primarily due to the ongoing COVID-19 pandemic, which shifted consumer purchasing patterns and caused supply chain constraints, impacting sales to its retail and contractor channels. Changes in foreign currency unfavorably impacted net sales by \$20 million, or 1%.

Operating loss for the nine months ended September 30, 2020 was \$148 million as compared to operating loss of \$171 million in the prior year. The improvement in operating result is primarily due to the cumulative depreciation and amortization expense adjustment during the prior-year period, as a result of the Company's decision to retain the Commercial Business. The improvement in the operating results also reflects cost containment initiatives to mitigate the impact of the COVID-19 pandemic while facilities were closed, including employee furloughs, gross productivity and lower discretionary spending, including advertising and promotional costs. This operating performance was partially offset by the higher absorption costs in Connected Home and Security associated with lower sales volumes and the temporary closure of its key manufacturing facility in Mexico during the first half of the year, as well as higher non-cash impairment charges of goodwill and certain indefinite-lived intangible assets.

Home Solutions

(in millions)	Nine Months Ended September 30,			
	2020	2019	\$ Change	% Change
Net sales	\$ 1,276	\$ 1,227	\$ 49	4.0%
Operating loss	(150)	(113)	(37)	(32.7)%
Operating margin	(11.8)%	(9.2)%		
Notable items impacting operating loss comparability:				
Impairment of goodwill and other intangible assets (See Footnote 7)	\$ 290	\$ 158		

Home Solutions net sales for the nine months ended September 30, 2020 increased 4%, as strong sales performance in the Food business unit was partially offset by sales declines in the Home Fragrance business unit. The increase in Food business unit sales reflected increased demand across the vacuum sealing, fresh preserving and Rubbermaid Food Storage categories, as a result of the ongoing COVID-19 pandemic, partially offset by supply chain disruption related to the temporary closure of the since re-opened Sistema manufacturing facility in New Zealand, as well as capacity constraints negatively affecting these categories. The decrease in Home Fragrance sales was primarily due to the temporary closure of all of its North American Yankee Candle retail stores in the first half of the year, supply chain disruptions resulting from the temporary closure of its key manufacturing facility in Massachusetts in the first half of the year, labor shortages in the third quarter and the temporary closure of certain third-party

retail stores as a result of the ongoing COVID-19 pandemic during the first half of the year. Yankee Candle retail stores re-opened during the third quarter. The decrease in Home Fragrance sales also reflected the exit of 76 underperforming Yankee Candle retail stores. Changes in foreign currency unfavorably impacted net sales by \$2 million.

Operating loss for the nine months ended September 30, 2020 increased to \$150 million as compared to \$113 million in the prior year period. The increase in operating loss is primarily due to higher non-cash impairment charges of certain indefinite-lived intangible assets noted above. Operating loss was also unfavorably impacted by higher absorption costs associated with lower sales volume in the Home Fragrance business unit and the temporary closure of their key manufacturing facility in Massachusetts, during the first half of the year, and non-cash impairment charges of \$8 million related to operating leases of its Yankee Candle retail store business. The increase in operating loss was partially offset by higher sales volume in the Food business unit, cost containment initiatives to mitigate the impact while Yankee Candle retail stores and operating facilities were temporarily closed, including employee furloughs, lower discretionary spending, including advertising and promotional costs, and gross productivity.

Learning and Development

(in millions)	Nine Months Ended September 30,			
	2020	2019	\$ Change	% Change
Net sales	\$ 1,887	\$ 2,254	\$ (367)	(16.3)%
Operating income	290	488	(198)	(40.6)%
Operating margin	15.4 %	21.7 %		

Notable items impacting operating income comparability:

Impairment of goodwill and other intangible assets (See Footnote 7)	\$ 80	\$ 1		
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Learning and Development net sales for the nine months ended September 30, 2020 decreased 16% primarily due to the shift in consumer purchasing patterns, third-party retail store closures and supply chain disruptions affecting the Writing and Baby and Parenting business units as a result of the ongoing COVID-19 pandemic, including the impact of the delayed re-opening of schools and offices. In particular, the ongoing COVID-19 global pandemic negatively impacted consumption patterns of markers, pens and dry erase products. In addition, the net sales decline also reflected softening trends related to sales of slime-related adhesive products as well as the exiting of the North American distribution of Uniball® products in the prior year. While the Baby and Parenting business unit experienced improving trends towards the end of the second quarter and during the third quarter, the Company anticipates the changes in consumer purchasing patterns in the Writing business unit as well as the shift to remote learning for many schools and other higher education programs and the delayed re-opening of schools and offices will continue to adversely impact the segment's performance through the remainder of 2020. Changes in foreign currency unfavorably impacted net sales by \$12 million, or 1%.

Operating income for the nine months ended September 30, 2020 decreased to \$290 million as compared to \$488 million in the prior-year period. The decrease in operating income was unfavorably impacted by lower sales volume as mentioned above, higher absorption costs associated with lower sales volume and certain temporary manufacturing closures, higher non-cash impairment charges of certain indefinite-lived intangible assets and costs associated with the COVID-19 pandemic, partially offset by productivity improvements from various initiatives, and lower overhead and discretionary spending, including advertising and promotional costs.

Outdoor and Recreation

(in millions)	Nine Months Ended September 30,			
	2020	2019	\$ Change	% Change
Net sales	\$ 1,043	\$ 1,145	\$ (102)	(8.9)%
Operating income (loss)	(409)	11	(420)	NM
Operating margin	(39.2)%	1.0 %		
Notable items impacting operating income (loss) comparability:				
Impairment of intangible assets (See Footnote 7)	\$ 482	\$ 67		
Product recall costs (See Footnote 18)	2	8		
<i>NM - NOT MEANINGFUL</i>				

Outdoor and Recreation net sales for the nine months ended September 30, 2020 decreased 9% primarily due to a shift in consumer purchasing patterns, as a result of the ongoing COVID-19 pandemic, which negatively impacted performance during the first half of the year. During the third quarter, demand for outdoor products in North America, Europe and Asia improved, partially offset by decreased demand in apparel and beverage products. Changes in foreign currency unfavorably impacted net sales by \$10 million, or 1%.

Operating loss for the nine months ended September 30, 2020 was \$409 million as compared to operating income of \$11 million. This performance was primarily due to higher non-cash impairment charges of certain indefinite-lived intangibles assets, lower sales volume as noted above, higher absorption costs associated with lower sales volume and unfavorable product mix, partially offset by lower overhead costs and lower discretionary spending, including advertising and promotional costs, as well as lower costs associated with a prior-year product recall, and productivity improvements.

Liquidity and Capital Resources**Liquidity**

In light of current uncertainty in the global economy, as well as equity and bond markets, due to the COVID-19 pandemic, the Company has taken several actions and may continue to take actions to further strengthen its financial position and balance sheet, and maintain financial liquidity and flexibility, including issuing debt, evaluating supply purchases, enhanced customer credit review processes, reviewing operating expenses, prioritizing capital expenditures, as well as the extension of payment terms for goods and services. The Company also has the ability to borrow under its existing Accounts Receivable Securitization Facility (the "Securitization Facility") and Revolving Credit Facility (the "Credit Revolver"). At September 30, 2020, the Company had no outstanding drawings against the Securitization Facility and Credit Revolver. The Company currently believes its capital structure and cash resources can continue to support the funding of future dividends and will continue to evaluate all actions to strengthen its financial position and balance sheet, and to maintain its financial liquidity, flexibility and capital allocation strategy.

At September 30, 2020, the Company had cash and cash equivalents of approximately \$858 million, of which approximately \$499 million was held by the Company's non-U.S. subsidiaries. The Company's available cash and cash equivalents, cash flows generated by operating activities and borrowing capacity, along with the actions described above, provide the Company with continued financial viability and adequate liquidity to fund its operations. The Company's cash requirements are subject to change as business conditions warrant. As the COVID-19 pandemic is complex and rapidly evolving, the Company's plans as described above may change. At this point, while the Company has seen positive sequential momentum and remains optimistic for improvement in its financial results over the second half of 2020, the Company is still unable to predict the duration and severity of this pandemic, which could continue to have a material adverse impact on the Company's future sales, results of operations, financial position and cash flows, particularly if the global pandemic continues to exist for a prolonged period of time or worsens. Any such material adverse impacts could impact the Company's ability to satisfy financial covenants and could limit the ability to make future borrowings under existing debt instruments. For information regarding the impact of COVID-19 on the Company, refer to Recent Developments in Part I - Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and Risk Factors in Part II - Item 1A.

Cash, cash equivalents and restricted cash increased (decreased) as follows for the nine months ended September 30, 2020 and 2019 (in millions):

	2020	2019	Increase (Decrease)
Cash provided by operating activities	\$ 820	\$ 424	\$ 396
Cash provided by (used in) investing activities	(138)	581	(719)
Cash used in financing activities	(174)	(1,024)	850
Exchange rate effect on cash, cash equivalents and restricted cash	(14)	(11)	(3)
Increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ 494</u>	<u>\$ (30)</u>	<u>\$ 524</u>

The Company tends to generate the majority of its operating cash flow in the third and fourth quarters of the year due to seasonal variations in operating results, the timing of annual performance-based compensation payments, customer program payments, working capital requirements and credit terms provided to customers.

Factors Affecting Liquidity

As a result of the debt ratings downgrades by Moody's and S&P described in Footnote 9 of the Notes to the Unaudited Condensed Consolidated Financial Statements, the Company's ability to borrow from the commercial paper market on terms it deems acceptable or favorable was eliminated. Previously, the Company was able to issue commercial paper up to a maximum of \$800 million provided there was a sufficient amount available for borrowing under the Credit Revolver. The Company's ability to borrow under the Credit Revolver was not affected by the downgrades. The interest rate for borrowings under the Credit Revolver is the borrowing period referenced LIBOR rate plus 127.5 basis points. As such, the Company does not expect any change in its ability to access liquidity in the short term as a result of the downgrades. On April 15, 2020, Fitch downgraded the Company's debt rating to "BB" as they believed the Company would fail to meet Fitch's target debt level for 2020.

The Credit Revolver requires the maintenance of certain financial covenants. A failure to maintain our financial covenants would impair our ability to borrow under the Credit Revolver. At the time of filing this Quarterly Report on Form 10-Q, the Company is in compliance with all of its financial covenants.

In addition, certain of the Company's outstanding senior notes aggregating to approximately \$4.5 billion are subject to an interest rate adjustment of 25 basis points as a result of the Moody's and S&P downgrades, for a total of 50 basis points. This increase to the interest rates of the senior notes subject to adjustment is expected to increase the Company's interest expense for 2020 by approximately \$17 million and approximately \$23 million on an annualized basis. The Fitch downgrade did not impact the interest rates on any of the Company's senior notes.

Furthermore, the Company may be required to pay a higher interest rate in future financings, and its potential pool of investors and funding sources could decrease as a result of the downgrades.

Cash Flows from Operating Activities

The change in net cash provided by operating activities is primarily due to successful working capital initiatives, which included: enhanced customer credit review and collections processes, evaluating supply purchases and focused inventory management, and the extension of payment terms for goods and services with vendors. See Capital Resources for further information.

Cash Flows from Investing Activities

The change in cash used in investing activities was primarily due to higher proceeds from the sale of divested businesses in the prior year, partially offset by lower current year capital expenditures.

Cash Flows from Financing Activities

The change in net cash used in financing activities was primarily due to higher payments of long-term debt in the prior year, as well as current-year proceeds from the issuance of the June 2025 Notes (defined below). See Footnote 9 of the Notes to the Unaudited Condensed Consolidated Financial Statements for further information.

Capital Resources

During the nine months ended September 30, 2020, the Company repurchased \$15 million of the 4.20% senior notes due 2026 at approximately par value. The total consideration, excluding accrued interest, was approximately \$15 million. As a result of the partial debt extinguishment, the Company recorded an immaterial loss.

In May 2020, the Company completed a registered public offering of \$500 million in aggregate principal amount of 4.875% senior notes that mature in June 2025 (the "June 2025 Notes") and received proceeds of approximately \$492 million, net of fees and expenses paid. The June 2025 Notes are subject to similar restrictive and financial covenants as the Company's existing senior notes, however, they are not subject to the interest rate adjustment or coupon step up provisions of certain other notes described below. The June 2025 Notes are redeemable in whole or in part, at the option of the Company (1) at any time prior to one month before the stated maturity at a redemption price equal to the greater of (a) 100% of the principal amount or (b) the discounted present value of principal and interest at the Treasury Rate plus 50 basis points, plus accrued interest to but excluding the redemption date; or (2) at any time on or after one month prior to the stated maturity at a price equal to 100% of the principal amount being redeemed, plus accrued interest to but excluding the redemption date. The Company used the net proceeds from the June 2025 Notes for general corporate purposes, including repayment of outstanding borrowings under the Credit Revolver and accounts receivable securitization facility, and the redemption of the outstanding 4.70% Senior Notes due in August 2020 at maturity.

Under the Company's \$1.25 billion Credit Revolver that matures in December 2023, the Company may borrow funds on a variety of interest rate terms. Prior to the Moody's and S&P downgrades discussed above, the Credit Revolver provided the committed backup liquidity required to issue commercial paper. As a result of the S&P and Moody's downgrades, the Company's ability to borrow from the commercial paper market on terms it deems acceptable or favorable was eliminated. Previously, the Company was able to issue commercial paper up to a maximum of \$800 million provided there was a sufficient amount available for borrowing under the Credit Revolver. The Credit Revolver also provides for the issuance of up to \$100 million of letters of credit, so long as there is a sufficient amount available for borrowing under the Credit Revolver. During the second quarter of 2020, the Company drew down \$125 million on the Credit Revolver and used a portion of the proceeds to repay the outstanding commercial paper of \$40 million outstanding at March 31, 2020. At September 30, 2020, there were no commercial paper balance borrowings. In addition, there were approximately \$20 million of outstanding standby letters of credit issued against the Credit Revolver and there were no borrowings outstanding under the Credit Revolver. At September 30, 2020, the net availability under the Credit Revolver was approximately \$1.2 billion.

The Company maintains an Accounts Receivable Securitization Facility. The aggregate commitment under the Securitization Facility is \$600 million. The Securitization Facility matures in October 2022 and bears interest at a margin over a variable interest rate. The maximum availability under the Securitization Facility fluctuates based on eligible accounts receivable balances. In March 2020, the Company amended its Securitization Facility with respect to certain customer receivables and to remove an originator from the Securitization Facility. At September 30, 2020, the Company did not have any amounts outstanding under the Securitization Facility.

During the first quarter of 2020, the Company amended its existing factoring agreement (the "Customer Receivables Purchase Agreement") to increase the amount of certain customer receivables that may be sold. The balance of factored receivables at the end of the third quarter of 2020 was approximately \$350 million, an increase of approximately \$150 million from the balance at December 31, 2019. Transactions under this agreement continue to be accounted for as sales of accounts receivable, and the receivables sold are removed from the Condensed Consolidated Balance Sheet at the time of the sales transaction. The Company classifies the proceeds received from the sales of accounts receivable as an operating cash flow in the unaudited Condensed Consolidated Statement of Cash Flows. The Company records the discount as other expense, net in the Condensed Consolidated Statement of Operations and collections of accounts receivables not yet submitted to the financial institution as a financing cash flow.

The Company was in compliance with all of its debt covenants under these instruments at September 30, 2020.

Risk Management

From time to time, the Company enters into derivative transactions to hedge its exposures to interest rate, foreign currency rate and commodity price fluctuations. The Company does not enter into derivative transactions for trading purposes.

Interest Rate Contracts

The Company manages its fixed and floating rate debt mix using interest rate swaps. The Company may use fixed and floating rate swaps to alter its exposure to the impact of changing interest rates on its consolidated results of operations and future cash outflows for interest. Floating rate swaps would be used, depending on market conditions, to convert the fixed rates of long-term debt into short-term variable rates. Fixed rate swaps would be used to reduce the Company's risk of the possibility of increased interest costs. Interest rate swap contracts are therefore used by the Company to separate interest rate risk from the debt funding decision. The cash paid and received from the settlement of interest rate swaps is included in interest expense.

Fair Value Hedges

At September 30, 2020, the Company had approximately \$100 million notional of interest rate swaps that exchange a fixed rate of interest for variable rate (LIBOR) of interest plus a weighted average spread. These floating rate swaps are designated as fair value hedges against \$100 million of principal on the 4.0% senior notes due 2024 for the remaining life of the note. The effective portion of the fair value gains or losses on these swaps is offset by fair value adjustments in the underlying debt. On August 15, 2020, a \$277 million notional interest rate swap matured concurrently with the maturity of the 4.7% senior notes which were repaid during the quarter.

Cross-Currency Contracts

The Company uses cross-currency swaps to hedge foreign currency risk on certain financing arrangements. During the first quarter of 2020, the Company entered into two cross-currency swaps with an aggregate notional amount of \$900 million, which were designated as net investment hedges of the Company's foreign currency exposure of its net investment in certain Euro-functional currency subsidiaries with Euro-denominated net assets. These cross-currency swaps, which mature in January and February 2025, pay a fixed rate of Euro-based interest and receive a fixed rate of U.S. dollar interest. The Company has elected the spot method for assessing the effectiveness of these contracts. During the three and nine months ended September 30, 2020, the Company recognized income of \$3 million and \$10 million in interest expense, net, related to the portion of cross-currency swaps excluded from hedge effectiveness testing. The Company had no cross-currency swaps used as hedging instruments in 2019.

Foreign Currency Contracts

The Company uses forward foreign currency contracts to mitigate the foreign currency exchange rate exposure on the cash flows related to forecasted inventory purchases and sales and have maturity dates through June 2021. The derivatives used to hedge these forecasted transactions that meet the criteria for hedge accounting are accounted for as cash flow hedges. The effective portion of the gains or losses on these derivatives is deferred as a component of AOCL and is recognized in earnings at the same time that the hedged item affects earnings and is included in the same caption in the statements of operations as the underlying hedged item. At September 30, 2020, the Company had approximately \$289 million notional amount outstanding of forward foreign currency contracts that are designated as cash flow hedges of forecasted inventory purchases and sales.

The Company also uses foreign currency contracts, primarily forward foreign currency contracts, to mitigate the foreign currency exposure of certain other foreign currency transactions. At September 30, 2020, the Company had approximately \$842 million notional amount outstanding of these foreign currency contracts that are not designated as effective hedges for accounting purposes and have maturity dates through July 2021. Fair market value gains or losses are included in the results of operations and are classified in other (income) expense, net.

The following table presents the fair value of derivative financial instruments at the date indicated September 30, 2020 (in millions):

	September 30, 2020
	Asset (Liability)
Derivatives designated as effective hedges:	
Cash flow hedges:	
Foreign currency contracts	\$ 3
Fair value hedges:	
Interest rate swaps	7
Net investment hedges:	
Cross-currency swaps	(43)
Derivatives not designated as effective hedges:	
Foreign currency contracts	9
Total	\$ (24)

Significant Accounting Policies and Critical Estimates

Goodwill and Indefinite-Lived Intangibles

Goodwill and indefinite-lived intangibles are tested and reviewed for impairment annually (during the fourth quarter), or more frequently if facts and circumstances warrant.

Goodwill

Goodwill is tested for impairment at a reporting unit level, and all of the Company's goodwill is assigned to its reporting units. Reporting units are determined based upon the Company's organizational structure in place at the date of the goodwill impairment testing and generally one level below the operating segment level. The Company's operations are comprised of eight reporting units, within its five primary operating segments.

During the first quarter of 2020, the Company concluded that an impairment triggering event had occurred for all of its reporting units as the Company has experienced significant COVID-19 related disruption to its business in three primary areas: supply chain, as certain manufacturing and distribution facilities were temporarily closed in line with government guidelines; the temporary closure of secondary customer retail stores as well as the Company's Yankee Candle retail stores in North America; and changes in consumer demand patterns to certain focused categories. The Company bypassed the qualitative approach to testing goodwill and used a quantitative approach, which involves comparing the fair value of each of the reporting units to the carrying value of those reporting units. If the carrying value of a reporting unit exceeds its fair value, an impairment loss would be calculated as the differences between these amounts, limited to the amount of reporting unit goodwill allocated to the reporting unit.

The quantitative goodwill impairment testing requires significant use of judgment and assumptions, such as the identification of reporting units; the assignment of assets and liabilities to reporting units; and the estimation of future cash flows, business growth rates, terminal values, discount rates and total enterprise value. The income approach used is the discounted cash flow methodology and is based on five-year cash flow projections. The cash flows projected are analyzed on a "debt-free" basis (before cash payments to equity and interest-bearing debt investors) in order to develop an enterprise value from operations for the reporting unit. A provision is made, based on these projections, for the value of the reporting unit at the end of the forecast period, or terminal value. The present value of the finite-period cash flows and the terminal value are determined using a selected discount rate. The Company estimated the fair values of its reporting units based on discounted cash flow methodology reflecting its latest projections which included, among other things, the impact of tariffs on Chinese imports, the current expectations as to the impact of COVID-19 on its operations, as well as other inflation at the time for the Company's impairment testing performed during the first quarter of 2020.

As a result of the impairment testing performed in connection with the COVID-19 global pandemic triggering event, the Company determined that its goodwill associated with its Appliances and Cookware segment was impaired. During the nine months ended September 30, 2020, the Company recorded a non-cash charge of \$212 million to reflect the impairment of its goodwill as its carrying value exceeded its fair value. There were no goodwill impairments recorded during the three months ended September 30, 2020.

See Footnotes 1 and 7 of the Notes to the Unaudited Condensed Consolidated Financial Statements for further information.

Indefinite-lived intangibles

The testing of indefinite-lived intangibles (primarily trademarks and tradenames) under established guidelines for impairment also requires significant use of judgment and assumptions (such as cash flow projections, royalty rates, terminal values and discount rates). For impairment testing purposes, the fair value of indefinite-lived intangibles is determined using the same method which was used for determining the initial value. The first method is the relief from royalty method, which estimates the value of a tradename by discounting the hypothetical avoided royalty payments to their present value over the economic life of the asset. The second method, the excess earnings method, estimates the value of the intangible asset by quantifying the residual (or excess) cash flows generated by the asset and discounts those cash flows to the present. The excess earnings methodology requires the application of contributory asset charges. Contributory asset charges typically include assumed payments for the use of working capital, tangible assets and other intangible assets. Changes in forecasted operations and other assumptions could materially affect the estimated fair values. Changes in business conditions could potentially require adjustments to these asset valuations.

As a result of the impairment testing performed in connection with the COVID-19 pandemic triggering event during the first quarter of 2020, the Company determined that certain of its indefinite-lived intangible assets in the Appliances and Cookware, Commercial Solutions, Home Solutions, Learning and Development and Outdoor and Recreation segments were impaired. During the nine months ended September 30, 2020, the Company recorded impairment charges of \$1.3 billion to reflect impairment of these indefinite-lived trade names because their carrying values exceeded their fair values.

During the third quarter of 2020, the Company concluded that a triggering event had occurred for an indefinite-lived intangible asset in the Learning and Development segment as a result of a product line divestiture. Pursuant to the authoritative literature, the Company performed an impairment test and determined that the indefinite-lived intangible asset was impaired as its carrying value exceeded its fair value. During the three and nine months ended September 30, 2020, the Company recorded a non-cash charge of \$2 million to reflect the impairment of this indefinite-lived intangible asset. See Footnotes 1 and 7 of the Notes to the Unaudited Condensed Consolidated Financial Statements for further information.

The Company believes the circumstances and global disruption caused by COVID-19 will continue to affect its businesses, operating results, cash flows and financial condition and that the scope and duration of the pandemic is highly uncertain. In addition, some of the other inherent estimates and assumptions used in determining fair value of the reporting units are outside the control of management, including interest rates, cost of capital, tax rates, industry growth, credit ratings, foreign exchange rates, labor inflation and tariffs, including the current trade negotiations with China. Given the uncertainty of these factors, as well as the inherent difficulty in predicting the severity and duration of the COVID-19 global pandemic and associated recovery and the uncertainties regarding the potential financial impact on the Company's business and the overall economy, there can be no assurance that the Company's estimates and assumptions made for purposes of the goodwill and indefinite-lived intangible asset impairment testing performed during the first quarter of 2020 will prove to be accurate predictions of the future.

In addition, as a result of several impairment charges recorded over the past three years and most recently at September 30, 2020, some of the Company's reporting units and several of the Company's indefinite-lived tradenames were either recorded at fair value or with fair values within 10% of the associated carrying values. While the Company believes it has made reasonable estimates and assumptions to calculate the fair values of the reporting units and other indefinite-lived intangible assets which were based on facts and circumstances known at this time, it is possible that new events may occur or actual events may result in forecasted cash flows, revenue and earnings that differ from those that formed the basis of the Company's estimates and assumptions. For each of the Company's reporting units, particularly if the global pandemic caused by COVID-19 continues to persist for an extended period of time, the reporting unit's actual results could be materially different from the Company's estimates and assumptions used to calculate fair value. If so, the Company may be required to recognize material impairments to goodwill and/or indefinite-lived intangible assets. The Company will continue to monitor its reporting units for any triggering events or other signs of impairment. The Company may be required to perform additional impairment testing based on further deterioration of the global economic environment, continued disruptions to the Company's business, further declines in operating results of the Company's reporting units and/or tradenames, further sustained deterioration of the Company's market capitalization, and other factors, which could result in impairment charges in the future. Although management cannot predict when improvements in macroeconomic conditions will occur, if consumer confidence and consumer spending decline significantly in the future or if

commercial and industrial economic activity experiences a sustained deterioration from current levels, it is reasonably likely the Company will be required to record impairment charges in the future.

At March 31, 2020, there were no reporting units and nine indefinite-lived trade names with fair values within 10% of the associated carrying values. A hypothetical 10% reduction in forecasted earnings before interest, taxes and amortization used in the discounted cash flows to estimate the fair value of the reporting unit would not have resulted in an incremental goodwill impairment charge. A hypothetical 10% reduction in the forecasted debt-free cash flows used in the excess earnings method to determine the fair value of certain indefinite-lived intangibles in the Company's Home Solutions and Learning and Development segments would have resulted in incremental impairment charges of \$39 million and \$13 million, respectively. A hypothetical 10% reduction in forecasted revenue used in the relief from royalty method to determine the fair value of certain indefinite-lived intangibles would have resulted in incremental impairment charges in the Company's following segments: Appliances and Cookware, Home Solutions and Learning and Development of \$6 million, \$6 million and \$16 million, respectively. As a result of updating the sensitivity analysis completed at March 31, 2020 for the \$2 million impairment recorded during the three months ended September 30, 2020, a hypothetical 10% reduction in forecasted revenue used in the relief from royalty method to determine the fair value of the indefinite-lived intangible asset within the Learning and Development segment would have resulted in an incremental impairment charge of \$15 million at September 30, 2020.

See Footnote 7 of the Notes to the Unaudited Condensed Consolidated Financial Statements for further information.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes from the information previously reported under Part II, Item 7A. in the Company's Annual Report on Form 10-K for the fiscal year ended.

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to provide reasonable assurance that information, which is required to be disclosed by the issuer in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating such controls and procedures, the Company recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As required by Rule 13a-15(b) of the Exchange Act, the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Quarterly Report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are not effective at September 30, 2020, due to the material weakness in internal control over financial reporting described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Remediation of Previously-Reported Material Weakness

In our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 (the "First Quarter 2020 Form 10-Q") and in Management's Annual Report on Internal Control over Financial Reporting in Item 9A., Controls and Procedures, of our Annual Report on Form 10-K for the year ended December 31, 2019 (the "2019 Form 10-K"), we reported a material weakness in our internal control over financial reporting in that the Company had not designed and maintained effective controls over the accounting for the impact of divestitures as well as a material weakness related to accounting for certain aspects of income taxes. During the quarter ended June 30, 2020, we remediated our material weakness related to accounting for the impact of divestitures.

Continuing Material Weakness

We continue to have a material weakness in our internal control over financial reporting as disclosed in the Second Quarter 2020 Form 10-Q and 2019 Form 10-K, in that the Company did not design and maintain effective controls over the accounting for certain aspects of income taxes. Specifically, the Company did not design and maintain controls related to the completeness and accuracy of accounting for state income tax and over the accuracy of determining uncertain tax positions, including but not limited to verifying that the accrued interest associated with uncertain tax positions is properly determined and recorded. These deficiencies resulted in errors recorded as of and for the quarter ended December 31, 2019 impacting the current tax benefit for the quarter ended December 31, 2019; and goodwill, other assets, deferred tax liabilities, other non-current liabilities and accumulated other comprehensive loss as of December 31, 2019. Additionally, in aggregate, these control deficiencies could result in a misstatement of the Company's aforementioned accounts and disclosures that would result in a material misstatement of the annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that these control deficiencies, in aggregate, constitute a material weakness.

Remediation Plan

Management has designed and implemented the following measures to remediate the deficiencies resulting in the material weakness in the accounting for certain aspects of income taxes:

- Implemented a tax reporting software solution that has enhanced its visibility of uncertain tax positions;
- Enhanced the quarterly and annual provision process with respect to uncertain tax positions and state income taxes;
- Hired experienced resources with substantive backgrounds in accounting for income taxes; and
- Undertaken extensive training for key personnel in each reporting jurisdiction on tax reporting requirements and our redesigned processes.

In addition, management continues to implement a tax reporting software solution that will enhance its state income tax reporting capabilities. While management believes that the measures already implemented have remediated certain of the control deficiencies, the material weakness, in the aggregate, will not be considered fully remediated until all of the remaining controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. The Company will monitor the effectiveness of its remediation plan and will refine its remediation plan as appropriate.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2020, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information required under this Item is contained above in Part I. Financial Information, Item 1 and is incorporated herein by reference.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risks set forth below and the risk factors described in Part I, Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, which could materially affect our business, liquidity, financial condition or future results. The risks described below, and the risks described in our 2019 Annual Report on Form 10-K are not the only risks the Company faces. Additional risks and uncertainties not currently known or that the Company currently deems to be immaterial also may materially and adversely affect its business, liquidity, financial condition or operating results.

We must successfully manage the demand, supply, and operational challenges associated with the actual or perceived effects of the COVID-19 pandemic or any other disease outbreak, including epidemics, pandemics, or similar widespread public health concerns.

Our business may be unfavorably impacted by the fear of exposure to or actual effects of the COVID-19 pandemic or any other disease outbreak, epidemic, pandemic, or similar widespread public health concern, such as reduced travel or recommendations or mandates from governmental authorities to cease particular business activities. These impacts include, but are not limited to:

- Significant reductions in demand or significant volatility in demand for one or more of our products, which may be caused by, among other things: the temporary inability of consumers to purchase our products due to illness, store closures, school closures or delayed opening for schools and other higher education programs, quarantine or other travel restrictions, or financial hardship among customers, retailers and consumers, shifts in demand away from one or more of our more discretionary or higher priced products to lower priced products, or stockpiling; if prolonged, such impacts can further increase the difficulty in planning our operations, which may adversely impact our results, liquidity and financial condition;
- Inability to meet our customers' needs and achieve cost targets due to disruptions in our manufacturing operations and supply arrangements as well as distribution centers caused by the loss or disruption of essential manufacturing and supply elements such as raw materials or other finished product components, transportation, workforce, or other manufacturing and distribution capability including as a result of governmental mandates to close certain of our manufacturing and distribution facilities;
- Failure of third parties on which we rely, including our suppliers, contract manufacturers, distributors, contractors, commercial banks, joint venture partners and external business partners, to meet their obligations to the Company, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties, which may adversely impact our operations, liquidity and financial condition; or
- Significant changes in the political and labor conditions in markets in which we manufacture, sell or distribute our products, including quarantines, governmental or regulatory actions, closures or other restrictions that limit or close our manufacturing, distribution, research and development and retail facilities; restrict our employees' ability or willingness to travel or perform necessary business functions, or otherwise prevent our facilities or our third-party partners, suppliers, or customers from sufficiently staffing operations, including operations necessary for the production, distribution, sale, and support of our products, which could adversely impact our results, liquidity and financial condition.

There are no comparable recent events that provide guidance as to the effect the spread of COVID-19 as a global pandemic may have, and, as a result, the ultimate impact of the outbreak is highly uncertain and subject to change. We do not yet know the full extent of the impacts on our business, our operations or the global economy as a whole. Despite our efforts to manage and remedy these impacts to the Company, the ultimate impact of COVID-19 could materially and adversely impact our business, results of operations, liquidity and financial condition, and depends on factors beyond our knowledge or control. In this regard, the extent of the impact of the pandemic on our business, operating results, cash flows, liquidity and financial conditions will be primarily driven by the duration and severity of the pandemic, its impact on the U.S. and global economies and the timing, scope and effectiveness of federal, state and local government responses to contain its spread and mitigate its public health effects, especially in areas where conditions have recently worsened.

We have experienced significant COVID-19-related disruptions to our businesses and if we are unable to re-commence normal operations in the near-to-medium term, we may be unable to maintain compliance with the financial covenants or borrowing base requirements in certain of our debt facilities.

Under the terms of certain of our debt facilities, including the Securitization Facility and Credit Revolver, we are required to maintain certain financial covenants or satisfy certain borrowing basis requirements. As a result of the COVID-19 pandemic, our operations have been and could be further disrupted, and if we are unable to re-commence normal operations in the near-to-medium term, we may be not be able to satisfy such requirements.

Covenant waivers may result in us incurring additional fees associated with obtaining the waiver, increased interest rates, additional restrictive covenants and other available lender protections that would be applicable to us under these debt facilities. Our ability to provide additional lender protections under these facilities, including the granting of security interests in collateral, will be limited by the restrictions in our indebtedness. There can be no assurance that we would be able to obtain future waivers in a timely manner, on acceptable terms or at all. If we were not able to obtain a covenant waiver under any one or more of these debt facilities, we would be in default of such agreements, which could result in cross defaults to our other debt agreements. As a consequence, we would need to refinance or repay the applicable debt facility or facilities, and would be required to raise additional debt or equity capital, or divest assets, to refinance or repay such facility or facilities. If we were to be unable to obtain a covenant waiver in the future under any one or more of these debt facilities, there can be no assurance that we would be able to raise sufficient debt or equity capital, or divest assets, to refinance or repay such facility or facilities.

With respect to each of these debt facilities, if we were unable to obtain a waiver or refinance or repay such debt facilities, it would lead to an event of default under such facilities, which could lead to an acceleration of the indebtedness under such debt facilities. In turn, this would lead to an event of default and potential acceleration of amounts due under all of our outstanding debt and derivative contract liabilities. As a result, the inability to obtain the covenant waivers described above would have a material adverse effect.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following table provides information about the Company's purchases of equity securities during the three months ended September 30, 2020:

<u>Calendar Month</u>	<u>Total Number of Shares Purchased (2)</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)</u>	<u>Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)</u>
July	30,371	\$ 15.78	—	\$ —
August	1,829	17.11	—	—
September	—	—	—	—
Total	<u>32,200</u>	<u>\$ 15.86</u>	<u>—</u>	<u>—</u>

- (1) The Company's previously existing share repurchase program ("SRP") expired on December 31, 2019 and was not extended.
- (2) All shares during the three months ended September 30, 2020, were acquired to satisfy employees' tax withholding and payment obligations in connection with the vesting of awards of restricted stock units, which were purchased by the Company based on their fair market value on the vesting date.

Item 6. Exhibits

Exhibit Number	Description of Exhibit
10.1†	Amended Exhibit A to 2020 Long Term Incentive Plan Terms and Conditions and 2020 Restricted Stock Unit Award Agreements with the CEO and the Management Committee (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 12, 2020).
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.

† Represents management contracts and compensatory plans and arrangements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEWELL BRANDS INC.
Registrant

Date: October 30, 2020

/s/ Ravichandra K. Saligram

Ravichandra K. Saligram

President & Chief Executive Officer

Date: October 30, 2020

/s/ Christopher H. Peterson

Christopher H. Peterson

Chief Financial Officer & President, Business Operations

CERTIFICATION

I, Ravichandra K. Saligram, certify that:

1. I have reviewed this quarterly report on Form 10-Q for Newell Brands Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2020

/s/ Ravichandra K. Saligram
Ravichandra K. Saligram
President & Chief Executive Officer

CERTIFICATION

I, Christopher H. Peterson, certify that:

1. I have reviewed this quarterly report on Form 10-Q for Newell Brands Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2020

/s/ Christopher H. Peterson

Christopher H. Peterson
Chief Financial Officer and
President, Business Operations

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Newell Brands Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Ravichandra K. Saligram, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ravichandra K. Saligram

Ravichandra K. Saligram
President & Chief Executive Officer
October 30, 2020

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Newell Brands Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Christopher H. Peterson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Christopher H. Peterson
Christopher H. Peterson
Chief Financial Officer and
President, Business Operations
October 30, 2020