TUPPERWARE BRANDS CORP
Form 10-Q
August 01, 2017
Table of Contents

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

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the 13 weeks ended July 1, 2017
OR
o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition period from to
Commission file number 1-11657

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

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

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

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

As of July 27, 2017, 50,879,367 shares of the common stock, $0.01 par value, of the registrant were outstanding.

Table of Contents

TABLE OF CONTENTS

Table of Contents

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

(In millions, except per share amounts)	13 weeks ended July 1, 2017	13 weeks ended June 25, 2016	26 weeks ended July 1, 2017	26 weeks ended June 25, 2016
Net sales	$572.9	$ 564.7	$1,127.7	$1,090.4
Cost of products sold	182.6	183.9	360.3	349.9
Gross margin	390.3	380.8	767.4	740.5
Delivery, sales and administrative expense	299.5	298.2	598.6	586.9
Re-engineering and impairment charges	32.6	1.9	34.9	3.0
Impairment of goodwill	62.9	—	62.9	—
Gains on disposal of assets	3.1	0.8	3.2	0.9
Operating income (loss)	(1.6)	81.5	74.2	151.5
Interest income	0.7	0.8	1.2	1.5
Interest expense	11.6	11.2	23.2	23.3
Other expense	0.2	0.9	0.7	1.3
Income (loss) before income taxes	(12.7)	70.2	51.5	128.4
Provision for income taxes	5.0	17.8	21.8	32.6
Net income (loss)	$(17.7)	$ 52.4	$29.7	$95.8
Earnings (loss) per share:				
Basic	$(0.35)	$ 1.04	$0.59	$1.90
Diluted	(0.35)	1.03	0.58	1.89
Weighted-average shares outstanding:				
Basic	50.8	50.5	50.7	50.5
Diluted	50.8	50.7	51.2	50.6
Dividends declared per common share	$0.68	$ 0.68	$1.36	$1.36

See accompanying Notes to Consolidated Financial Statements (Unaudited).

Table of Contents

TUPPERWARE BRANDS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In millions)	13 weeks ended July 1, 2017	13 weeks ended June 25, 2016	26 weeks ended July 1, 2017	26 weeks ended June 25, 2016
Net income (loss)	$(17.7)	$ 52.4	$29.7	$ 95.8
Other comprehensive income (loss):				
Foreign currency translation adjustments	9.8	(14.1)	52.2	(11.8)
Deferred loss on cash flow hedges, net of tax benefit of $0.4, $0.0, $1.8 and $1.0, respectively	(1.4)	—	(5.9)	(3.7)
Pension and other post-retirement income (costs), net of tax benefit of $0.7, $0.0, $1.4 and $0.3, respectively	(1.6)	0.5	(3.3)	(0.4)
Other comprehensive income (loss)	6.8	(13.6)	43.0	(15.9)
Total comprehensive income (loss)	$(10.9)	$ 38.8	$72.7	$ 79.9

See accompanying Notes to Consolidated Financial Statements (Unaudited).

Table of Contents

TUPPERWARE BRANDS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	July 1, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	$85.0	$ 93.2
Accounts receivable, less allowances of $35.2 and $32.6, respectively	156.4	125.3
Inventories	288.1	240.4
Non-trade amounts receivable, net	51.4	64.9
Prepaid expenses and other current assets	28.6	21.5
Total current assets	609.5	545.3
Deferred income tax benefits, net	584.4	539.7
Property, plant and equipment, net	268.3	259.8
Long-term receivables, less allowances of $14.0 and $11.0, respectively	15.6	13.2
Trademarks and tradenames, net	69.2	67.3
Goodwill	80.6	132.6
Other assets, net	33.1	29.9
Total assets	$1,660.7	$ 1,587.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$89.5	$ 117.7
Short-term borrowings and current portion of long-term debt and capital lease obligations	173.2	105.9
Accrued liabilities	332.9	324.0
Total current liabilities	595.6	547.6
Long-term debt and capital lease obligations	605.3	606.0
Other liabilities	226.1	221.4
Shareholders' equity:		
Preferred stock, $0.01 par value, 200,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value, 600,000,000 shares authorized; 63,607,090 shares issued	0.6	0.6
Paid-in capital	213.8	208.6
Retained earnings	1,411.6	1,455.3
Treasury stock, 12,727,723 and 12,969,165 shares, respectively, at cost	(863.8)	(880.2)
Accumulated other comprehensive loss	(528.5)	(571.5)
Total shareholders' equity	233.7	212.8
Total liabilities and shareholders' equity	$1,660.7	$ 1,587.8

See accompanying Notes to Consolidated Financial Statements (Unaudited).

Table of Contents

TUPPERWARE BRANDS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	26 weeks ended July 1, 2017	June 25, 2016
Operating Activities:		
Net income	$29.7	$ 95.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	29.7	30.2
Unrealized foreign exchange loss	0.3	0.3
Equity compensation	9.2	8.2
Amortization of deferred debt costs	0.3	0.3
Net gains on disposal of assets	(2.9)	(0.8)
Provision for bad debts	7.6	4.9
Write-down of inventories	5.3	5.0
Non-cash impact of re-engineering and impairment costs	66.0	—
Net change in deferred income taxes	(19.9)	0.3
Changes in assets and liabilities:		
Accounts and notes receivable	(32.8)	(19.1)
Inventories	(41.0)	(14.4)
Non-trade amounts receivable	0.8	(6.4)
Prepaid expenses	(4.1)	(4.1)
Other assets	(3.7)	(1.3)
Accounts payable and accrued liabilities	6.3	(53.9)
Income taxes payable	(35.7)	(25.9)
Other liabilities	0.5	2.6
Net cash impact from hedging activity	(1.6)	10.0
Other	—	0.1
Net cash provided by operating activities	14.0	31.8
Investing Activities:		
Capital expenditures	(32.0)	(25.3)
Proceeds from disposal of property, plant and equipment	5.3	2.3
Net cash used in investing activities	(26.7)	(23.0)
Financing Activities:		
Dividend payments to shareholders	(69.3)	(69.4)
Proceeds from exercise of stock options	9.9	0.4
Repurchase of common stock	(0.6)	(0.8)
Repayment of capital lease obligations	(1.2)	(1.3)
Net change in short-term debt	60.1	58.2
Net cash used in financing activities	(1.1)	(12.9)
Effect of exchange rate changes on cash and cash equivalents	5.6	3.3
Net change in cash and cash equivalents	(8.2)	(0.8)
Cash and cash equivalents at beginning of year	93.2	79.8
Cash and cash equivalents at end of period	$85.0	$ 79.0

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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

Note 1: Summary of Significant Accounting Policies
Basis of Presentation: The condensed consolidated financial statements include the accounts of Tupperware Brands Corporation and its subsidiaries, collectively “Tupperware” or the “Company”, with all intercompany transactions and balances having been eliminated. These condensed consolidated financial statements and related notes should be read in conjunction with the audited 2016 financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.
Certain prior year amounts have been reclassified to conform with current year presentation.
These condensed consolidated financial statements are unaudited and have been prepared following the rules and regulations of the United States Securities and Exchange Commission and, in the Company's opinion, reflect all adjustments, including normal recurring items that are necessary for a fair statement of the results for the interim periods. Certain information and note disclosures normally included in the balance sheet, statements of income, comprehensive income and cash flows prepared in conformity with accounting principles generally accepted in the United States of America have been condensed or omitted as permitted by such rules and regulations. Operating results of any interim period presented herein are not necessarily indicative of the results that may be expected for a full fiscal year.
The Company's fiscal year ends on the last Saturday of December. As a result, the 2016 fiscal year included 53 weeks with 14 weeks in the fourth quarter, whereas the 2017 fiscal year will include 52 weeks with 13 weeks in the fourth quarter.
Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates.
Note 2: Shipping and Handling Costs
The cost of products sold line item includes costs related to the purchase and manufacture of goods sold by the Company. Among these costs are inbound freight charges, duties, purchasing and receiving costs, inspection costs, depreciation expense, internal transfer costs and warehousing costs of raw material, work in process and packing materials. The warehousing and distribution costs of finished goods are included in delivery, sales and administrative expense (“DS&A”). Distribution costs are comprised of outbound freight and associated labor costs. Fees billed to customers associated with the distribution of products are classified as revenue. The distribution costs included in DS&A expense for the second quarters of 2017 and 2016 were $35.7 million and $34.8 million, respectively, and for the year-to-date periods ended July 1, 2017 and June 25, 2016 were $70.5 million and $66.5 million, respectively.
Note 3: Promotional Costs
The Company frequently makes promotional offers to members of its independent sales force to encourage them to fulfill specific goals or targets for sales levels, party attendance, addition of new sales force members or other business-critical functions. The awards offered are in the form of product awards, special prizes or trips.
The Company accrues for the costs of these awards during the period over which the sales force qualifies for the award and reports these costs primarily as a component of DS&A expense. These accruals require estimates as to the cost of the awards, based upon estimates of achievement and actual cost to be incurred. During the qualification period, actual results are monitored, and changes to the original estimates are made when known. Promotional and other sales force compensation expenses included in DS&A expense totaled $91.7 million and $98.0 million for the second quarters of 2017 and 2016, respectively, and $187.6 million and $191.7 million for the year-to-date periods ended July 1, 2017 and June 25, 2016, respectively.

Table of Contents

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

Note 4: Inventories

(In millions)	July 1, 2017	December 31, 2016
Finished goods	$224.2	$ 189.4
Work in process	28.4	23.0
Raw materials and supplies	35.5	28.0
Total inventories	$288.1	$ 240.4

Note 5: Net Income Per Common Share

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

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

	13 weeks ended		26 weeks ended	
(In millions, except per share amounts)	July 1, 2017	June 25, 2016	July 1, 2017	June 25, 2016
Net income (loss)	$(17.7)	$ 52.4	$29.7	$ 95.8
Weighted-average shares of common stock outstanding	50.8	50.5	50.7	50.5
Common equivalent shares:				
Assumed exercise of dilutive options, restricted shares, restricted stock units and performance share units	—	0.2	0.5	0.1
Weighted-average common and common equivalent shares outstanding	50.8	50.7	51.2	50.6
Basic earnings (loss) per share	$(0.35)	$ 1.04	$0.59	$ 1.90
Diluted earnings (loss) per share	$(0.35)	$ 1.03	$0.58	$ 1.89
Shares excluded from the determination of potential common stock because inclusion would have been anti-dilutive	2.9	1.6	1.0	1.7

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

Note 6: Accumulated Other Comprehensive Loss

(In millions, net of tax)	Foreign Currency Items	Cash Flow Hedges	Pension and Other Post-retirement Items	Total
Balance at December 31, 2016	$(544.3)	$4.9	$(32.1)	$(571.5)
Other comprehensive income (loss) before reclassifications	52.2	(4.7)	(4.0)	43.5
Amounts reclassified from accumulated other comprehensive loss	—	(1.2)	0.7	(0.5)
Net current-period other comprehensive income (loss)	52.2	(5.9)	(3.3)	43.0
Balance at July 1, 2017	$(492.1)	$(1.0)	$(35.4)	$(528.5)

(In millions, net of tax)	Foreign Currency Items	Cash Flow Hedges	Pension and Other Post-retirement Items	Total
Balance at December 26, 2015	$(490.6)	$4.3	$(35.7)	$(522.0)
Other comprehensive loss before reclassifications	(11.8)	(0.8)	(1.0)	(13.6)
Amounts reclassified from accumulated other comprehensive loss	—	(2.9)	0.6	(2.3)
Net current-period other comprehensive loss	(11.8)	(3.7)	(0.4)	(15.9)
Balance at June 25, 2016	$(502.4)	$0.6	$(36.1)	$(537.9)

Pretax amounts reclassified from accumulated other comprehensive loss that related to cash flow hedges consisted of net gains of $1.7 million and $4.0 million for the year-to-date periods ended July 1, 2017 and June 25, 2016, respectively. Associated with these items were tax provisions of $0.5 million and $1.1 million, respectively. See Note 11 for further discussion of derivatives.

For the year-to-date periods ended July 1, 2017 and June 25, 2016, pretax amounts reclassified from accumulated other comprehensive loss related to pension and other post-retirement items consisted of prior service benefits of $0.6 million and $0.7 million, respectively, actuarial losses of $0.7 million and $0.8 million, respectively, and pension settlement costs of $0.8 million and $0.6 million, respectively. The tax benefits associated with these items were $0.2 million, and $0.1 million, respectively. See Note 13 for further discussion of pension and other post-retirement benefit costs.

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

Note 7: Re-engineering and Impairment Costs

The Company recorded $32.6 million and $1.9 million in re-engineering charges during the second quarters of 2017 and 2016, respectively, and $34.9 million and $3.0 million for the year-to-date periods ended July 1, 2017 and June 25, 2016, respectively.

In 2017, these charges were primarily related to restructuring actions taken in connection with the Company's plans, through 2018 or 2019, to rationalize its supply chain and to adjust the cost base of several marketing units. The restructuring charges also relate to the Company's decision to wind down the Beauticontrol reporting unit due to a history of declining revenues, operating losses and the competitive environment in the direct selling channel and retail sector for beauty and personal care products in the United States, Canada and Puerto Rico. The total cost of the restructuring actions is estimated to be $100 million to $110 million from the second quarter of 2017 forward. This excludes the benefit of selling fixed assets that will become excess in light of the re-engineering actions. The Company expects about 90 percent of second quarter 2017 forward re-engineering costs to require cash outflows and for these to be funded with cash flow from operations, net of investing activities, notwithstanding the timing during each fiscal year in which the Company generates the majority of its cash. Of the total costs, the Company estimates that about 80 percent relates to severance and benefits related to headcount reductions, while the balance is predominantly related to costs to exit leases and other contracts, as well as write-offs of excess assets for which there are not expected to be disposal proceeds. In the second quarter of 2017, the Company incurred $24.7 million in restructuring costs in Europe, $1.0 million in Asia Pacific and $6.9 million in Beauty North America.

In 2016, the charges were primarily related to severance costs incurred for headcount reductions in several of the Company’s operations in connection with changes in its management and organizational structures.

The balances included in accrued liabilities related to re-engineering and impairment charges as of July 1, 2017 and December 31, 2016 were as follows:

(In millions)	July 1, 2017	December 31, 2016
Beginning of the year balance	$1.6	$ 1.7
Provision	34.9	7.6
Non-cash charges	(3.1)	(0.3)
Cash expenditures:		
Severance	(3.5)	(5.2)
Other	(0.3)	(2.2)
End of period balance	$29.6	$ 1.6

The accrual balance as of July 1, 2017, related primarily to severance payments to be made through the first quarter of 2018.

Note 8: Goodwill and Intangible Assets

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

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

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

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

Note 9: Segment Information

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

The Company's reportable segments include the following:

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

Both housewares and beauty products under the Fuller®, Nutrimetics®, Nuvo® and Tupperware® brands.

Worldwide sales of beauty and personal care products totaled $86.7 million and $96.8 million in the second quarters of 2017 and 2016, respectively, and $166.3 million and $184.9 million in the respective year-to-date periods.

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

(In millions)	13 weeks ended July 1, 2017	13 weeks ended June 25, 2016	26 weeks ended July 1, 2017	26 weeks ended June 25, 2016
Net sales:				
Europe	$135.4	$138.4	$284.9	$292.3
Asia Pacific	183.5	194.3	360.8	365.9
Tupperware North America	97.1	93.1	188.9	176.3
Beauty North America	44.7	53.4	84.2	102.3
South America	112.2	85.5	208.9	153.6
Total net sales	$572.9	$564.7	$1,127.7	$1,090.4
Segment profit (loss):				
Europe	$11.9	$14.6	$31.8	$39.8
Asia Pacific	46.2	46.7	86.2	83.6
Tupperware North America	21.1	19.4	37.5	34.0
Beauty North America	(0.4)	1.4	(1.0)	(0.3)
South America	27.9	15.6	46.1	28.6
Total segment profit	$106.7	$97.7	$200.6	$185.7
Unallocated expenses	(16.1)	(16.0)	(32.5)	(33.4)
Re-engineering and impairment charges (a)	(32.6)	(1.9)	(34.9)	(3.0)
Impairment of goodwill	(62.9)	—	(62.9)	—
Gains on disposal of assets	3.1	0.8	3.2	0.9
Interest expense, net	(10.9)	(10.4)	(22.0)	(21.8)
Income (loss) before taxes	$(12.7)	$70.2	$51.5	$128.4

(In millions)	July 1, 2017	December 31, 2016
Identifiable assets:		
Europe	$288.6	$ 257.2
Asia Pacific	293.9	278.6
Tupperware North America	142.3	119.0
Beauty North America	184.4	214.7
South America	146.4	124.6
Corporate	605.1	593.7
Total identifiable assets	$1,660.7	$ 1,587.8

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

Note 10: Debt

Debt Obligations

(In millions)	July 1, 2017	December 31, 2016
Fixed rate senior notes due 2021	$599.5	$ 599.4
Five year Revolving Credit Agreement (a)	171.0	104.0
Belgium facility capital lease	7.9	8.4
Other	0.1	0.1
Total debt obligations	$778.5	$ 711.9

(a) $91.5 million and $84.6 million denominated in euros as of July 1, 2017 and December 31, 2016, respectively.

Credit Agreement

As of July 1, 2017, the Company had a weighted average interest rate on outstanding LIBOR based borrowings of 2.0 percent under its multicurrency Amended and Restated Credit Agreement (“Credit Agreement”).

At July 1, 2017, the Company had $513.2 million of unused lines of credit, including $427.5 million under the committed, secured Credit Agreement, and $85.7 million available under various uncommitted lines around the world. The Credit Agreement has customary financial covenants related to interest coverage and leverage. These restrictions are not expected to impact the Company's operations. As of July 1, 2017, and currently, the Company had considerable cushion under its financial covenants.

Note 11: Derivative Instruments and Hedging Activities

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

Fair value hedges are entered into with financial instruments such as forward contracts, with the objective of limiting exposure to certain foreign exchange risks primarily associated with accounts payable and non-permanent intercompany transactions. For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative, as well as the offsetting gain or loss on the hedged item attributable to the hedged risk, are recognized in current earnings. In assessing hedge effectiveness, the Company excludes forward points, which are considered to be a component of interest expense. The forward points on fair value hedges resulted in pretax gains of $5.3 million and $3.9 million in the second quarters of 2017 and 2016, respectively, and $10.2 million and $7.8 million for the respective year-to-date periods.

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

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

The Company also uses financial instruments, such as forward contracts and certain euro denominated borrowings under its Credit Agreement, to hedge a portion of its net equity investment in international operations and classifies these as net equity hedges. Changes in the value of these financial instruments, excluding any ineffective portion of the hedges, are included in foreign currency translation adjustments within accumulated other comprehensive loss. The Company recorded, net of tax, in other comprehensive income a net loss of $10.8 million and $32.1 million associated with these hedges in the second quarter and year-to-date periods of 2017, respectively, and a net gain of $7.1 million and $3.4 million associated with such hedges for the respective periods of 2016. Due to the permanent nature of the investments, the Company does not anticipate reclassifying any portion of these amounts to the income statement in the next twelve months. In assessing hedge effectiveness, the Company excludes forward points, which are included as a component of interest expense.

While the forward contracts used for net equity and fair value hedges of non-permanent intercompany balances mitigate its exposure to foreign exchange gains or losses, they result in an impact to operating cash flows as they are settled, whereas the hedged items do not generate offsetting cash flows. The net cash flow impact of these currency hedges for the year-to-date periods ended July 1, 2017 and June 25, 2016 was an outflow of $1.6 million and an inflow of $10.0 million, respectively.

The Company considers the total notional value of its forward contracts as the best measure of the volume of derivative transactions. As of July 1, 2017 and December 31, 2016, the notional amounts of outstanding forward contracts to purchase currencies were $153.6 million and $116.7 million, respectively, and the notional amounts of outstanding forward contracts to sell currencies were $156.8 million and $109.6 million, respectively. As of July 1, 2017, the notional values of the largest positions outstanding were to purchase $144.7 million of U.S. dollars and to sell $32.7 million of Swiss francs and $30.7 million of Mexican pesos.

The following table summarizes the Company's derivative positions, which are the only assets and liabilities recorded at fair value on a recurring basis, and the impact they had on the Company's financial position as of July 1, 2017 and December 31, 2016. Fair values were determined based on third party quotations (Level 2 fair value measurement):

	Asset derivatives			Liability derivatives		
		Fair value			Fair value	
Derivatives designated as hedging instruments (in millions)	Balance sheet location	July 1, 2017	Dec 31, 2016	Balance sheet location	July 1, 2017	Dec 31, 2016
Foreign exchange contracts	Non-trade amounts receivable	$24.0	$ 41.1	Accrued liabilities	$25.1	$ 31.7

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

Derivatives designated as fair value hedges (in millions)	Location of gain or (loss) recognized in income on derivatives	Amount of gain or (loss) recognized in income on derivatives		Location of gain or (loss) recognized in income on related hedged items	Amount of gain or (loss) recognized in income on related hedged items	
		2017	2016		2017	2016
Foreign exchange contracts	Other expense	$ 10.0	$ (5.8)	Other expense	$ (10.0)	$ 5.9

Table of Contents

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

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

Cash flow and net equity hedges (in millions)	Amount of gain or (loss) recognized in OCI (effective portion)		Location of gain or (loss) reclassified from accumulated OCI into income (effective portion)	Amount of gain or (loss) reclassified from accumulated OCI into income (effective portion)		Location of gain or (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)	Amount of gain or (loss) recognized in income (ineffective portion and amount excluded from effectiveness testing)	
Cash flow hedging relationships	2017	2016		2017	2016		2017	2016
Foreign exchange contracts	$ (1.6)	$ 1.1	Cost of products sold					