TUPPERWARE BRANDS CORP
Form 10-Q
October 25, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the 13 weeks ended September 24, 2016
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, or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer” and “smaller reporting 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

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

As of October 20, 2016, 50,561,384 shares of the common stock, $0.01 par value, of the registrant were outstanding.

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

(In millions, except per share amounts)	13 weeks ended September 24, 2016	13 weeks ended September 26, 2015	39 weeks ended September 24, 2016	39 weeks ended September 26, 2015
Net sales	$521.8	$ 521.0	$1,612.2	$ 1,691.7
Cost of products sold	168.4	172.5	518.3	553.2
Gross margin	353.4	348.5	1,093.9	1,138.5
Delivery, sales and administrative expense	284.2	288.5	871.1	912.0
Re-engineering and impairment charges	2.4	0.3	5.4	18.0
Gains on disposal of assets	24.2	2.0	25.1	13.4
Operating income	91.0	61.7	242.5	221.9
Interest income	0.8	0.5	2.3	1.5
Interest expense	12.8	11.3	36.1	36.6
Other (income) expense	(0.3)	0.3	1.0	8.6
Income before income taxes	79.3	50.6	207.7	178.2
Provision for income taxes	30.5	14.4	63.1	50.5
Net income	$48.8	$ 36.2	$144.6	$ 127.7
Earnings per share:				
Basic	$0.97	$ 0.72	$2.86	$ 2.56
Diluted	0.96	0.72	2.85	2.54
Weighted-average shares outstanding:				
Basic	50.5	49.9	50.5	49.8
Diluted	50.8	50.3	50.7	50.3
Dividends declared per common share	$0.68	$ 0.68	$2.04	$ 2.04

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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TUPPERWARE BRANDS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In millions)	13 weeks ended September 24, 2016	13 weeks ended September 26, 2015	39 weeks ended September 24, 2016	39 weeks ended September 26, 2015
Net income	$48.8	$ 36.2	$144.6	$ 127.7
Other comprehensive income (loss):				
Foreign currency translation adjustments	(8.4)	(65.5)	(20.2)	(110.1)
Deferred gain (loss) on cash flow hedges, net of tax (provision) benefit of ($0.4), ($0.8), $0.6 and ($0.2), respectively	0.8	1.7	(2.9)	(0.5)
Pension and other post-retirement income, net of tax (provision) benefit of ($0.1), ($0.3), $0.2 and ($1.4), respectively	1.2	1.2	0.8	4.2
Other comprehensive loss	(6.4)	(62.6)	(22.3)	(106.4)
Total comprehensive income (loss)	$42.4	$ (26.4)	$122.3	$ 21.3

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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TUPPERWARE BRANDS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	September 24, 2016	December 26, 2015
ASSETS		
Cash and cash equivalents	$ 98.5	$ 79.8
Accounts receivable, less allowances of $36.9 and $32.7, respectively	142.4	142.7
Inventories	275.0	254.6
Non-trade amounts receivable, net	61.4	45.5
Prepaid expenses and other current assets	28.9	27.9
Total current assets	606.2	550.5
Deferred income tax benefits, net	535.8	524.9
Property, plant and equipment, net	256.3	253.6
Long-term receivables, less allowances of $11.9 and $11.2, respectively	13.6	13.2
Trademarks and tradenames, net	73.3	82.7
Goodwill	139.7	146.3
Other assets, net	30.3	27.0
Total assets	$ 1,655.2	$ 1,598.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 88.5	$ 126.7
Short-term borrowings and current portion of long-term debt and capital lease obligations	199.9	162.5
Accrued liabilities	344.6	324.8
Total current liabilities	633.0	614.0
Long-term debt and capital lease obligations	606.9	608.2
Other liabilities	225.6	215.0
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	207.5	205.5
Retained earnings	1,411.6	1,371.2
Treasury stock, 13,047,956 and 13,170,517 shares, respectively, at cost	(885.7)	(894.3)
Accumulated other comprehensive loss	(544.3)	(522.0)
Total shareholders' equity	189.7	161.0
Total liabilities and shareholders' equity	$ 1,655.2	$ 1,598.2

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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TUPPERWARE BRANDS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)	39 weeks ended September 24, 2016	September 26, 2015
Operating Activities:		
Net income	$144.6	$ 127.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	43.8	46.6
Unrealized foreign exchange loss	0.3	7.2
Equity compensation	13.0	11.8
Amortization of deferred debt costs	0.5	0.7
Net gains on disposal of assets	(24.7)	(13.1)
Provision for bad debts	8.7	9.8
Write-down of inventories	8.2	12.9
Non-cash impact of re-engineering and impairment costs	—	13.5
Net change in deferred income taxes	(16.5)	(25.1)
Excess tax benefits from share-based payment arrangements	(0.3)	(2.5)
Changes in assets and liabilities:		
Accounts and notes receivable	(6.7)	(20.8)
Inventories	(23.4)	(34.5)
Non-trade amounts receivable	(7.4)	(0.7)
Prepaid expenses	(6.2)	(6.8)
Other assets	(1.3)	(1.4)
Accounts payable and accrued liabilities	(34.5)	(14.1)
Income taxes payable	(5.4)	(19.7)
Other liabilities	5.3	1.8
Net cash impact from hedging activity	(5.6)	(21.1)
Other	(0.1)	—
Net cash provided by operating activities	92.3	72.2
Investing Activities:		
Capital expenditures	(38.2)	(42.4)
Proceeds from disposal of property, plant and equipment	31.8	17.5
Net cash used in investing activities	(6.4)	(24.9)
Financing Activities:		
Dividend payments to shareholders	(104.0)	(103.6)
Proceeds from exercise of stock options	0.6	7.6
Repurchase of common stock	(1.1)	(0.9)
Repayment of capital lease obligations	(1.7)	(2.1)
Net change in short-term debt	33.0	82.0
Debt issuance costs	—	(0.7)
Excess tax benefits from share-based payment arrangements	0.3	2.5
Net cash used in financing activities	(72.9)	(15.2)
Effect of exchange rate changes on cash and cash equivalents	5.7	(16.0)
Net change in cash and cash equivalents	18.7	16.1
Cash and cash equivalents at beginning of year	79.8	77.0
Cash and cash equivalents at end of period	$98.5	$ 93.1

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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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 2015 financial statements included in the Company's Annual Report on Form 10-K for the year ended December 26, 2015.
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 presentation 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 will include 53 weeks, as compared with 52 weeks for fiscal 2015, and the fourth quarter of 2016 will include 14 weeks.
Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates.
Note 2: Shipping and Handling Costs
The cost of products sold line item includes costs related to the purchase and manufacture of goods sold by the Company. Among these costs are inbound freight charges, duties, purchasing and receiving costs, inspection costs, depreciation expense, internal transfer costs and warehousing costs of raw material, work in process and packing materials. The warehousing and distribution costs of finished goods are included in delivery, sales and administrative expense (“DS&A”). Distribution costs are comprised of outbound freight and associated labor costs. Fees billed to customers associated with the distribution of products are classified as revenue. The distribution costs included in DS&A expense for the third quarters of 2016 and 2015 were $32.6 million and $32.7 million, respectively, and for the year-to-date periods ended September 24, 2016 and September 26, 2015 were $99.1 million and $103.2 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 $89.5 million and $88.2 million for the third quarters of 2016 and 2015, respectively, and $281.2 million and $288.0 million for the year-to-date periods ended September 24, 2016 and September 26, 2015, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Note 4: Inventories

(In millions)	September 24, 2016	December 26, 2015
Finished goods	$ 214.8	$ 203.2
Work in process	27.4	21.0
Raw materials and supplies	32.8	30.4
Total inventories	$ 275.0	$ 254.6

Note 5: Net Income Per Common Share

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

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

(In millions, except per share amounts)	13 weeks ended		39 weeks ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
Net income	$ 48.8	$ 36.2	$ 144.6	$ 127.7
Weighted-average shares of common stock outstanding	50.5	49.9	50.5	49.8
Common equivalent shares:				
Assumed exercise of dilutive options, restricted shares, restricted stock units and performance share units	0.3	0.4	0.2	0.5
Weighted-average common and common equivalent shares outstanding	50.8	50.3	50.7	50.3
Basic earnings per share	$ 0.97	$ 0.72	$ 2.86	$ 2.56
Diluted earnings per share	$ 0.96	$ 0.72	$ 2.85	$ 2.54
Shares excluded from the determination of potential common stock because inclusion would have been anti-dilutive	0.9	1.1	1.4	0.8

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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 26, 2015	$ (490.6)	$ 4.3	$ (35.7)	$ (522.0)
Other comprehensive income (loss) before reclassifications	(20.2)	0.2	(0.7)	(20.7)
Amounts reclassified from accumulated other comprehensive loss	—	(3.1)	1.5	(1.6)
Net current-period other comprehensive income (loss)	(20.2)	(2.9)	0.8	(22.3)
Balance at September 24, 2016	$ (510.8)	$ 1.4	$ (34.9)	$ (544.3)

(In millions, net of tax)	Foreign Currency Items	Cash Flow Hedges	Pension and Other Post-retirement Items	Total
Balance at December 27, 2014	$ (368.3)	$ 7.8	$ (48.2)	$ (408.7)
Other comprehensive income (loss) before reclassifications	(110.1)	10.3	2.2	(97.6)
Amounts reclassified from accumulated other comprehensive loss	—	(10.8)	2.0	(8.8)
Net current-period other comprehensive income (loss)	(110.1)	(0.5)	4.2	(106.4)
Balance at September 26, 2015	$ (478.4)	$ 7.3	$ (44.0)	$ (515.1)

Pretax amounts reclassified from accumulated other comprehensive loss that related to cash flow hedges consisted of net gains of $4.3 million and $14.1 million for the year-to-date periods ended September 24, 2016 and September 26, 2015, respectively. Associated with these items were tax provisions of $1.2 million and $3.3 million, respectively. See Note 11 for further discussion of derivatives.

For the year-to-date periods ended September 24, 2016 and September 26, 2015, pretax amounts reclassified from accumulated other comprehensive loss related to pension and other post-retirement items consisted of prior service benefits of $1.1 million and $1.0 million, respectively, pension settlement costs of $1.5 million and $0.5 million, respectively, and actuarial losses of $1.3 million and $3.2 million, respectively. The tax benefits associated with these items were $0.2 million and $0.7 million, respectively. See Note 13 for further discussion of pension and other post-retirement benefit costs.

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

Note 7: Re-engineering and Impairment Costs

The Company recorded $2.4 million and $0.3 million in re-engineering charges during the third quarters of 2016 and 2015, respectively, and $5.4 million and $4.5 million for the year-to-date periods ended September 24, 2016 and September 26, 2015, respectively.

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

The balances included in accrued liabilities related to re-engineering and impairment charges as of September 24, 2016 and December 26, 2015 were as follows:

(In millions)	September 24, 2016	December 26, 2015
Beginning of the year balance	$ 1.7	$ 2.4
Provision	5.4	6.8
Non-cash charges	(0.1)	(0.2)
Cash expenditures:		
Severance	(4.4)	(5.8)
Other	(1.0)	(1.5)
End of period balance	$ 1.6	$ 1.7

The accrual balance as of September 24, 2016, related primarily to severance payments to be made by the end of the 2016.

Included in the re-engineering and impairment caption on the Company's consolidated statement of income in the year-to-date period of 2015 was $13.5 million in long-term fixed asset impairments in Venezuela.

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.

In the third quarters of 2016 and 2015, the Company completed the annual assessments for all of its reporting units and indefinite-lived intangible assets, concluding there were no impairments. The Company only considers the goodwill balances of $77 million and $28 million associated with the Fuller Mexico and NaturCare Japan reporting units, respectively, to be significant relative to total equity.

These assessments included a step 1 impairment evaluation for the goodwill associated with the Fuller Mexico reporting unit as prescribed under ASC 350, Intangibles - Goodwill and Other. 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. 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 for each entity. 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 and a terminal value. 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 significant assumptions for the Fuller Mexico step 1 analysis included annual revenue growth rates ranging from 1 percent to 5 percent with an average growth rate of 4 percent, including a 3 percent growth rate used in calculating the terminal value. The discount rate used for Fuller Mexico was 14.8 percent.

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(Unaudited)

The amount by which the estimated fair value of the Fuller Mexico reporting unit exceeded its carrying value, at 20 percent, was more in the third quarter of 2016 than in the 2015 assessment, primarily due to an increase in the estimated fair market value in connection with improved market pricing metrics and other observable market conditions, as well as a lower carrying value in 2016, reflecting the amortization of the definite-lived Fuller tradename. Though the estimated fair value of the reporting unit exceeded its carrying value in the annual assessment, a smaller 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 and therefore reduce the fair value below the carrying value. This could result in recording an impairment charge to the goodwill of Fuller Mexico.

Also in the third quarter of 2016, the Company performed a qualitative assessment for the goodwill associated with the NaturCare reporting unit and concluded it was more likely than not that the fair value of the reporting unit was greater than its carrying amount. The estimated fair value of the NaturCare reporting unit exceeded the carrying value by 130 percent, as of September 2015, the date of the reporting unit's most recent step 1 analysis. Based on the Company's evaluation of the assumptions and sensitivities associated with the step 1 analysis for NaturCare, the Company concluded that the fair value substantially exceeded its carrying value as of September 2015.

Other than for the Fuller Mexico reporting unit, management has concluded there is no significant foreseeable risk of failing a future step 1 impairment test, nor is there significant foreseeable risk of the fair value of the indefinite-lived intangible assets falling below their respective carrying values. Given the sensitivity of fair value valuations to changes in cash flow or market multiples, the Company may be required to recognize an impairment of goodwill or indefinite-lived intangible assets in the future due to changes in market conditions or other factors related to the Company’s performance. Actual results below forecasted results or a decrease in the forecasted future results of the Company’s business plans or changes in discount rates could also result in an impairment charge, as could changes in market characteristics including declines in valuation multiples of comparable publicly-traded companies. Impairment charges would have an adverse impact on the Company’s net income and shareholders' 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 consistency of economic substance, geography, products, production process, class of customers and distribution method.

Effective from the first quarter of 2016, the Nutrimetics business in France, previously reported in the Asia Pacific segment, is being reported in the Europe segment. Comparable information from prior periods has been reclassified to conform with the new presentation. In full year 2015, Nutrimetics France generated less than one half percent of total sales.

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 $87.2 million and $96.7 million in the third quarters of 2016 and 2015, respectively, and $272.1 million and $325.0 million in the respective year-to-date periods.

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

(In millions)	13 weeks ended September 24, 2016	13 weeks ended September 26, 2015	39 weeks ended September 24, 2016	39 weeks ended September 26, 2015
Net sales:				
Europe	$107.3	$ 118.9	$399.6	$ 451.0
Asia Pacific	188.9	191.4	554.8	572.5
Tupperware North America	88.1	84.9	264.4	258.2
Beauty North America	43.2	53.5	145.5	182.3
South America	94.3	72.3	247.9	227.7
Total net sales	$521.8	$ 521.0	$1,612.2	$ 1,691.7
Segment profit (loss):				
Europe	$(1.8)	$ 5.4	$38.0	$ 60.8
Asia Pacific	46.8	43.8	130.4	124.6
Tupperware North America	17.2	15.3	51.2	48.5
Beauty North America	(2.0)	0.2	(2.3)	3.2
South America	23.9	12.9	52.5	29.8
Total segment profit	$84.1	$ 77.6	$269.8	$ 266.9
Unallocated expenses	(14.6)	(17.9)	(48.0)	(49.0)
Re-engineering and impairment charges (a)	(2.4)	(0.3)	(5.4)	(18.0)
Gains on disposal of assets	24.2	2.0	25.1	13.4
Interest expense, net	(12.0)	(10.8)	(33.8)	(35.1)
Income before taxes	$79.3	$ 50.6	$207.7	$ 178.2

(In millions)	September 24, 2016	December 26, 2015
Identifiable assets:		
Europe	$ 278.1	$ 276.5
Asia Pacific	305.3	290.2
Tupperware North America	141.6	121.2
Beauty North America	222.7	254.0
South America	126.9	96.9
Corporate	580.6	559.4
Total identifiable assets	$ 1,655.2	$ 1,598.2

(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)	September 24, 2016	December 26, 2015
Fixed rate senior notes due 2021	$ 599.4	$ 599.3
Five year Revolving Credit Agreement (a)	197.8	155.8
Belgium facility capital lease	9.4	10.6
Other	0.2	5.0
Total debt obligations	$ 806.8	$ 770.7

(a) $193.3 million and $153.7 million denominated in euros as of September 24, 2016 and December 26, 2015, respectively.

Credit Agreement

As of September 24, 2016, the Company had a weighted average interest rate on outstanding LIBOR based borrowings of 1.50 percent under the Credit Agreement.

At September 24, 2016, the Company had $659.3 million of unused lines of credit, including $400.9 million under the committed, secured Credit Agreement, and $258.4 million available under various uncommitted lines around the world.

The Credit Agreement has customary financial covenants related to interest coverage and leverage. These restrictions are not expected to impact the Company's operations. As of September 24, 2016, 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 to these fluctuations, 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 $3.4 million and $2.6 million in the third quarters of 2016 and 2015, respectively, and $11.2 million and $9.0 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.

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(Unaudited)

The Company also uses financial instruments, such as forward contracts and certain euro denominated borrowings under the Company's 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 gain of $6.5 million and $9.9 million associated with these hedges in the third quarter and year-to-date periods of 2016, respectively, and a net gain of $27.7 million and $54.1 million associated with such hedges for the respective periods of 2015. Due to the permanent nature of the investments, the Company does not anticipate reclassifying any portion of these amounts to the income statement in the next twelve months. In assessing hedge effectiveness, the Company excludes forward points, which are included as a component of interest expense.

While the forward contracts used for net equity and fair value hedges of non-permanent intercompany balances mitigate its exposure to foreign exchange gains or losses, they result in an impact to operating cash flows as they are settled, whereas the hedged items do not generate offsetting cash flows. The net cash flow impact of these currency hedges for the year-to-date periods ended September 24, 2016 and September 26, 2015 were outflows of $5.6 million and $21.1 million, respectively.

The Company considers the total notional value of its forward contracts as the best measure of the volume of derivative transactions. As of September 24, 2016 and December 26, 2015, the notional amounts of outstanding forward contracts to purchase currencies were $118.1 million and $141.9 million, respectively, and the notional amounts of outstanding forward contracts to sell currencies were $118.1 million and $137.4 million, respectively. As of September 24, 2016, the notional values of the largest positions outstanding were to purchase euro $108.4 million and to sell Indonesian rupiah $21.7 million.

The following table summarizes the Company's derivative positions, which are the only assets and liabilities recorded at fair value on a recurring basis, and the impact they had on the Company's financial position as of September 24, 2016 and December 26, 2015. Fair values were determined based on third party quotations (Level 2 fair value measurement):

	Asset derivatives			Liability derivatives		
		Fair value			Fair value	
Derivatives designated as hedging instruments (in millions)	Balance sheet location	Sep 24, 2016	Dec 26, 2015	Balance sheet location	Sep 24, 2016	Dec 26, 2015
Foreign exchange contracts	Non-trade amounts receivable	$30.9	$ 21.5	Accrued liabilities	$28.4	$ 14.6

The following table summarizes the impact of the Company's fair value hedging positions on the results of operations for the third quarters of 2016 and 2015:

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	
		2016	2015		2016	2015
Foreign exchange contracts	Other expense	$ (11.7)	$ (44.3)	Other expense	$ 11.9	$ 44.4

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The following table summarizes the impact of the Company's hedging activities on comprehensive income for the third quarters of 2016 and 2015:

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	2016	2015		2016	2015		2016	2015
Foreign exchange contracts	$ 1.4	$ 8.2	Cost of products sold	$ 0.3	$ 5.6	Interest expense	$ (1.4)	$ (1.0)
Net equity hedging relationships								
Foreign exchange contracts	9.3	43.0	Other expense	—	—	Interest expense	(5.4)	(3.5)
Euro denominated debt	0.8	0.1	Other expense	—	—	Interest expense	—	—

The following table summarizes the impact of the Company's fair value hedging positions on the results of operations for the year-to-date periods ended September 24, 2016 and September 26, 2015:

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	
		2016	2015		2016	2015
Foreign exchange contracts	Other expense	$ (23.3)	$ (84.0)	Other expense	$ 23.6	$ 84.3

The following table summarizes the impact of the Company's hedging activities on comprehensive income for the year-to-date periods ended September 24, 2016 and September 26, 2015:

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

				portion)			from effectiveness testing)	
Cash flow hedging relationships	2016	2015		2016	2015		2016	2015
Foreign exchange contracts	$ 0.9	$ 13.7	Cost of products sold	$ 4.3	$ 14.1	Interest expense	$ (4.2)	$ (5.6)
Net equity hedging relationships								
Foreign exchange contracts	17.7	75.2	Other expense	—	—	Interest expense	(15.1)	(11.5)
Euro denominated debt	(2.2)	9.1	Other expense	—	—	Interest expense	—	—

Note 12: Fair Value Measurements

Due to their short maturities or their insignificance, the carrying amounts of cash and cash equivalents, accounts and notes receivable, accounts payable, accrued liabilities and short-term borrowings approximated their fair values at September 24, 2016 and December 26, 2015. The Company estimates that, based on current market conditions, the value of its 4.75%, 2021 senior notes was $651.3 million at September 24, 2016, compared with the carrying value of $599.4 million. The higher fair value resulted from changes, since issuance, in the corporate debt markets and investor preferences. The fair value of debt is classified as a Level 2 liability, and is estimated using quoted market prices as provided in secondary markets that consider the Company's credit risk and market related conditions. See Note 11 to the Consolidated Financial Statements for discussion of the Company's derivative instruments and related fair value measurements.

Note 13: Retirement Benefit Plans

Components of net periodic benefit cost for the third quarter and year-to-date periods ended September 24, 2016 and September 26, 2015 were as follows:

	Third Quarter				Year-to-Date			
	Pension benefits		Post-retirement benefits		Pension benefits		Post-retirement benefits	
(In millions)	2016	2015	2016	2015	2016	2015	2016	2015
Service cost	$2.7	$2.6	$0.1	$0.1	$8.1	$8.1	$0.1	$0.1
Interest cost	1.6	1.8	0.2	0.1	4.8	5.3	0.6	0.5
Expected return on plan assets	(1.3)	(1.4)	—	—	(4.0)	(4.2)	—	—
Settlement/curtailment	0.9	0.1	—	—	1.5	0.5	—	—
Net amortization	0.4	1.0	(0.3)	(0.3)	1.2	3.1	(1.0)	(0.9)
Net periodic benefit cost	$4.3	$4.1	$—	$(0.1)	$11.6	$12.8	$(0.3)	$(0.3)

During the year-to-date periods ending September 24, 2016 and September 26, 2015, approximately $1.7 million and $2.7 million, respectively, of pretax expenses were reclassified from other comprehensive income to a component of net periodic benefit cost. As they relate to non-U.S. plans, the Company uses current exchange rates to make these reclassifications. The impact of exchange rate fluctuations is included on the net amortization line of the table above.

Note 14: Income Taxes

The effective tax rates for the third quarter and year-to-date periods of 2016 were 38.4 percent and 30.4 percent compared with 28.5 percent and 28.4 percent, respectively, for the comparable 2015 periods. The 2016 rates were higher primarily due to a gain from the land transactions near the Company's headquarters during the third quarter, which was subject to an effective U.S. federal and state tax rate of 38.5 percent. The 2016 year-to-date effective tax rate is below the U.S. statutory rate primarily due to lower foreign effective tax rates.

As of September 24, 2016 and December 26, 2015, the Company's gross unrecognized tax benefit was $20.7 million and $21.8 million, respectively. The Company estimates that as of September 24, 2016, approximately $19.2 million of the unrecognized tax benefits, if recognized, would impact the effective tax rate. Interest and penalties related to uncertain tax positions in the Company's global operations are recorded as a component of the provision for income taxes. Accrued interest and penalties were $6.8 million and $6.0 million as of the periods ended September 24, 2016 and December 26, 2015.

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The Company estimates that it may settle one or more foreign audits in the next twelve months that may result in a decrease in the amount of accrual for uncertain tax positions of up to $1.0 million. For the remaining balance as of September 24, 2016, the Company is not able to reliably estimate the timing or ultimate settlement amount. While the Company does not currently expect material changes, it is possible that the amount of unrecognized benefit with respect to the uncertain tax positions will significantly increase or decrease related to audits in various foreign jurisdictions that may conclude during that period or new developments that could also, in turn, impact the Company's assessment relative to the establishment of valuation allowances against certain existing deferred tax assets. These valuation allowances relate to tax assets in jurisdictions where it is management's best estimate that there is not a greater than 50 percent probability that the benefit of the assets will be realized in the associated tax returns. The likelihood of realizing the benefit of deferred tax assets is assessed on an ongoing basis. This assessment requires estimates as to future operating results, as well as an evaluation of the effectiveness of the Company's tax planning strategies. At this time, the Company is not able to make a reasonable estimate of the range of impact on the balance of unrecognized tax benefits or the impact on the effective tax rate related to these items.

Note 15: Statement of Cash Flow Supplemental Disclosure

Under the Company's stock incentive programs, employees are allowed to use shares retained by the Company to satisfy minimum statutorily required withholding taxes in certain jurisdictions. In the year-to-date periods ended September 24, 2016 and September 26, 2015, 21,189 and 12,847 shares, respectively, were retained to fund withholding taxes, with values totaling $1.1 million and $0.9 million, respectively, which were included as stock repurchases in the Consolidated Statements of Cash Flows.

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Note 16: Stock Based Compensation

Stock option activity for 2016 is summarized in the following table:

	Shares subject to option	Weighted average exercise price per share	Aggregate intrinsic value (in millions)
Outstanding at December 26, 2015	2,100,478	$ 56.92	
Expired / Forfeited	(8,673)	61.48	
Exercised	(25,292)	23.20	
Outstanding at September 24, 2016	2,066,513	$ 57.32	$ 18.8
Exercisable at September 24, 2016	1,260,367	$ 55.43	$ 14.1

The intrinsic value of options exercised totaled $0.2 million and $4.7 million in the third quarters of 2016 and 2015, respectively, and $0.9 million and $7.3 million in the respective year-to-date periods.

The Company also has time-vested, performance-vested and market-vested share awards. The activity for such awards in 2016 is summarized in the following table:

	Shares outstanding	Weighted average grant date fair value
December 26, 2015	550,467	$ 69.71
Time-vested shares granted	45,752	56.56
Market-vested shares granted	30,019	49.55
Performance shares granted	89,321	49.95
Performance share adjustments	12,934	59.23
Vested	(134,192)	77.80
Forfeited	(22,185)	72.32
September 24, 2016	572,116	$ 62.05

Compensation expense related to the Company's stock based compensation for the third quarter and year-to-date periods ended September 24, 2016 and September 26, 2015 were as follows:

	Third Quarter		Year-to-Date	
(In millions)	2016	2015	2016	2015
Stock options	$0.6	$0.4	$ 1.9	$ 1.5
Time, performance and market vested share awards	4.2	3.2	11.1	10.3

As of September 24, 2016, total unrecognized stock based compensation expense related to all stock based awards was $20.9 million, which is expected to be recognized over a weighted average period of 1.7 years.

Note 17: Allowance for Long-Term Receivables

As of September 24, 2016, $10.5 million of long-term receivables from both active and inactive customers were considered past due, the majority of which were reserved through the Company's allowance for uncollectible accounts. The balance of the allowance for long-term receivables as of September 24, 2016 was as follows:

(In millions)	
Balance at December 26, 2015	$11.2
Write-offs	(1.6)
Provision and reclassifications	1.9
Currency translation adjustment	0.4
Balance at September 24, 2016	$11.9

Note 18: Guarantor Information

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

Condensed consolidated financial information as of September 24, 2016 and December 26, 2015 and for the quarter-to-date periods ended September 24, 2016 and September 26, 2015 for Tupperware Brands Corporation (the "Parent"), the Guarantor and all other subsidiaries (the "Non-Guarantors") is as follows.

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

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Consolidating Statement of Income

	13 Weeks Ended September 24, 2016				
(In millions)	Parent	Guarantor	Non-Guarantors	Eliminations	Total
Net sales	$—	$ —	$ 523.1	$ (1.3)	$521.8
Other revenue	—	25.2	4.1	(29.3)	—
Cost of products sold	—	4.1	192.8	(28.5)	168.4
Gross margin	—	21.1	334.4	(2.1)	353.4
Delivery, sales and administrative expense	4.1	22.4	259.9	(2.2)	284.2
Re-engineering and impairment charges	—	0.8	1.6	—	2.4
Gains on disposal of assets	—	—	24.2	—	24.2
Operating income (loss)	(4.1)	(2.1)	97.1	0.1	91.0
Interest income	5.2	0.3	7.3	(12.0)	0.8
Interest expense	9.4	13.2	2.2	(12.0)	12.8
Income from equity investments in subsidiaries	54.4	59.3	—	(113.7)	—
Other expense (income)	—	(8.7)	8.4	—	(0.3)
Income before income taxes	46.1	53.0	93.8	(113.6)	79.3
Provision (benefit) for income taxes	(2.7)	8.6	24.6	—	30.5
Net income (loss)	$48.8	$ 44.4	$ 69.2	$ (113.6)	$48.8
Comprehensive income (loss)	$42.4	$ 38.8	$ 56.0	$ (94.8)	$42.4

Consolidating Statement of Income

	13 Weeks Ended September 26, 2015				
(In millions)	Parent	Guarantor	Non-Guarantors	Eliminations	Total
Net sales	$—	$ —	$ 522.4	$ (1.4)	$521.0
Other revenue	—	28.7	9.0	(37.7)	—
Cost of products sold	—	9.0	200.3	(36.8)	172.5
Gross margin	—	19.7	331.1	(2.3)	348.5
Delivery, sales and administrative expense	3.3	23.1	264.4	(2.3)	288.5
Re-engineering and impairment charges	—	—	0.3	—	0.3
Gains on disposal of assets	—	—	2.0	—	2.0
Operating income (loss)	(3.3)	(3.4)	68.4	—	61.7
Interest income	8.1	5.8	2.1	(15.5)	0.5
Interest expense	11.6	9.3	5.9	(15.5)	11.3
Income from equity investments in subsidiaries	40.5	46.0	—	(86.5)	—
Other expense	—	0.3	—	—	0.3
Income before income taxes	33.7	38.8	64.6	(86.5)	50.6
Provision (benefit) for income taxes	(2.5)	(2.8)	19.7	—	14.4
Net income (loss)	$36.2	$ 41.6	$ 44.9	$ (86.5)	$36.2
Comprehensive income (loss)	$(26.4)	$ (19.6)	$ 0.8	$ 18.8	$(26.4)

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Consolidating Statement of Income

	39 Weeks Ended September 24, 2016				
(In millions)	Parent	Guarantor	Non-Guarantors	Eliminations	Total
Net sales	$—	$ —	$ 1,615.7	$ (3.5)	$1,612.2
Other revenue	—	80.7	19.5	(100.2)	—
Cost of products sold	—	19.5	595.8	(97.0)	518.3
Gross margin	—	61.2	1,039.4	(6.7)	1,093.9
Delivery, sales and administrative expense	10.8	58.6	808.5	(6.8)	871.1
Re-engineering and impairment charges	—	0.8	4.6	—	5.4
Gains on disposal of assets	—	—	25.1	—	25.1
Operating income (loss)	(10.8)	1.8	251.4	0.1	242.5
Interest income	15.4	1.2	19.4	(33.7)	2.3
Interest expense	25.9	37.6	6.3	(33.7)	36.1
Income from equity investments in subsidiaries	158.5	167.4	—	(325.9)	—
Other expense (income)	0.1	(25.0)	25.9	—	1.0
Income before income taxes	137.1	157.8	238.6	(325.8)	207.7
Provision (benefit) for income taxes	(7.5)	3.0	67.6	—	63.1
Net income (loss)	$144.6	$ 154.8	$ 171.0	$ (325.8)	$144.6
Comprehensive income (loss)	$122.3	$ 135.1	$ 134.3	$ (269.4)	$122.3

Consolidating Statement of Income

	39 Weeks Ended September 26, 2015				
(In millions)	Parent	Guarantor	Non-Guarantors	Eliminations	Total
Net sales	$—	$ —	$ 1,694.0	$ (2.3)	$1,691.7
Other revenue	—	85.5	23.9	(109.4)	—
Cost of products sold	—	23.9	634.3	(105.0)	553.2
Gross margin	—	61.6	1,083.6	(6.7)	1,138.5
Delivery, sales and administrative expense	10.9	61.8	846.0	(6.7)	912.0
Re-engineering and impairment charges	—	—	18.0	—	18.0
Gains on disposal of assets	—	—	13.4	—	13.4
Operating income (loss)	(10.9)	(0.2)	233.0	—	221.9
Interest income	23.4	18.5	4.5		