Spectrum Brands Holdings, Inc.
Form 10-Q
August 08, 2018

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 June 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

\

Commission File No.	Name of Registrant, State of Incorporation, Address of Principal Offices, and Telephone No.	IRS Employer Identification No.
1-4219	Spectrum Brands Holdings, Inc. (formerly HRG Group, Inc.) (a Delaware corporation) 3001 Deming Way Middleton, WI 53562	74-1339132

(608) 275-3340

www.spectrumbrands.com

333-192634-03	SB/RH Holdings, LLC (a Delaware limited liability company) 3001 Deming Way Middleton, WI 53562 (608) 275-3340	27-2812840

Indicate by check mark whether the registrants (1) have 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.

Spectrum Brands Holdings, Inc.	Yes	No
SB/RH Holdings, LLC	Yes	No

Indicate by check mark whether the registrants have submitted electronically and posted on their 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).

Spectrum Brands Holdings, Inc.	Yes	No
SB/RH Holdings, LLC	Yes	No

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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Registrant	Large Accelerated Filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
Spectrum Brands Holdings, Inc.	X			
SB/RH Holdings, LLC			X	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Spectrum Brands Holdings, Inc.	Yes	No

SB/RH Holdings, LLC	Yes	No

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§232.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter

Spectrum Brands Holdings, Inc.	Yes	No
SB/RH Holdings, LLC	Yes	No

If an emerging growth company, indicate by checkmark 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.

Spectrum Brands Holdings, Inc.
SB/RH Holdings, LLC

As of August 3, 2018, there were outstanding 53,408,731 shares of Spectrum Brands Holdings, Inc.'s common stock, par value $0.01 per share.

SB/RH Holdings, LLC meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this report with a reduced disclosure format as permitted by general instruction H(2).

Table of Contents

Forward-Looking Statements

We have made or implied certain forward-looking statements in this report. All statements, other than statements of historical facts included in this report, including the statements under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding our business strategy, future operations, financial condition, estimated revenues, projected costs, projected synergies, prospects, plans and objectives of management, as well as information concerning expected actions of third parties, are forward-looking statements. When used in this report, the words anticipate, intend, plan, estimate, believe, expect, project, could, will, should, may and similar expressions are also intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Since these forward-looking statements are based upon our current expectations of future events and projections and are subject to a number of risks and uncertainties, many of which are beyond our control and some of which may change rapidly, actual results or outcomes may differ materially from those expressed or implied herein, and you should not place undue reliance on these statements. Important factors that could cause our actual results to differ materially from those expressed or implied herein include, without limitation:

- the impact of our indebtedness on our business, financial condition and results of operations;
- the impact of restrictions in our debt instruments on our ability to operate our business, finance our capital needs or pursue or expand business strategies;
- any failure to comply with financial covenants and other provisions and restrictions of our debt instruments;
- the impact of actions taken by significant stockholders;
- the impact of fluctuations in commodity prices, costs or availability of raw materials or terms and conditions available from suppliers, including suppliers’ willingness to advance credit;
- interest rate and exchange rate fluctuations;
- the loss of, significant reduction in, or dependence upon, sales to any significant retail customer(s);
- competitive promotional activity or spending by competitors, or price reductions by competitors;
- the introduction of new product features or technological developments by competitors and/or the development of new competitors or competitive brands;
- the effects of general economic conditions, including inflation, recession or fears of a recession, depression or fears of a depression, labor costs and stock market volatility or changes in trade, monetary or fiscal policies in the countries where we do business;
- changes in consumer spending preferences and demand for our products;
- our ability to develop and successfully introduce new products, protect our intellectual property and avoid infringing the intellectual property of third parties;
- our ability to successfully implement, achieve and sustain manufacturing and distribution cost efficiencies and improvements, and fully realize anticipated cost savings;
- the seasonal nature of sales of certain of our products;
- the effects of climate change and unusual weather activity;
-

the cost and effect of unanticipated legal, tax or regulatory proceedings or new laws or regulations (including environmental, public health and consumer protection regulations);
- public perception regarding the safety of products, that we manufacture or sell, including the potential for environmental liabilities, product liability claims, litigation and other claims related to products manufactured by us and third parties;
- the impact of pending or threatened litigation;
- the impact of cybersecurity breaches or our actual or perceived failure to protect company and personal data;
- changes in accounting policies applicable to our business;
- our ability to utilize our net operating loss carry-forwards to offset tax liabilities from future taxable income;
- government regulations;
- the impact of expenses resulting from the implementation of new business strategies, divestitures or current and proposed restructuring activities;
- our inability to successfully integrate and operate new acquisitions at the level of financial performance anticipated;
- the unanticipated loss of key members of senior management;
- the effects of political or economic conditions, terrorist attacks, acts of war or other unrest in international markets;
- the Company's ability to consummate the announced sale of our Global Battery and Lighting business on the expected terms and within the anticipated time period, or at all, which is dependent on the parties' ability to satisfy certain closing conditions, including receipt of regulatory approvals, and our ability to realize the expected benefits of such transaction and to successfully separate such business;
- the outcome of the Company's exploration of strategic options for its Personal Care and Small Appliances businesses, including uncertainty regarding consummation of any such transaction or transactions and the terms of such transaction or transactions, if any, and, if consummate, the Company's ability to realize the expected benefits of such transaction or transactions and potential disruption to our business or diverted management attention as a result of the exploration or negotiation of such transaction or transactions;
- the transition to a new chief executive officer and such officer's ability to determine and implement changes at the Company to improve the Company's business and financial performance; and
- the Company's ability to implement a successful restructuring of the leadership of the Global Auto Care business unit with the Pet, Home & Garden business unit to form a separate Consumer Products group, and to realize the synergies and business and financial benefits anticipated from such restructuring.

Some of the above-mentioned factors are described in further detail in the sections entitled "Risk Factors" in our annual and quarterly reports (including this report), as applicable. You should assume the information appearing in this report is accurate only as of the end of the period covered by this report, or as otherwise specified, as our business, financial condition, results of operations and prospects may have changed since that date. Except as required by applicable law, including the securities laws of the United States ("U.S.") and the rules and regulations of the United States Securities and Exchange Commission ("SEC"), we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, to reflect actual results or changes in factors or assumptions affecting such forward-looking statements.

SPECTRUM BRANDS HOLDINGS, INC. (formerly HRG, Group, Inc.)

SB/RH HOLDINGS, LLC

TABLE OF CONTENTS

This report is a combined report of Spectrum Brands Holdings, Inc. and SB/RH Holdings, LLC. The combined notes to the condensed consolidated financial statements include notes representing Spectrum Brands Holdings, Inc. and SB/RH Holdings, LLC and certain notes related specifically to SB/RH Holdings, LLC.

1

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SPECTRUM BRANDS HOLDINGS, INC. (formerly HRG, Group, Inc.)

Condensed Consolidated Statements of Financial Position

As of June 30, 2018 and September 30, 2017

(unaudited)

(in millions)	June 30, 2018	September 30, 2017
Assets		
Cash and cash equivalents	$ 814.6	$ 270.1
Trade receivables, net	384.2	266.0
Other receivables	38.1	19.7
Inventories	546.7	496.3
Prepaid expenses and other current assets	69.1	54.8
Current assets of business held for sale	1,913.1	28,929.2
Total current assets	3,765.8	30,036.1
Property, plant and equipment, net	494.8	503.9
Deferred charges and other	418.0	43.7
Goodwill	2,269.4	2,277.1
Intangible assets, net	1,564.8	1,612.0
Noncurrent assets of business held for sale	—	1,376.9
Total assets	$ 8,512.8	$ 35,849.7
Liabilities and Shareholders' Equity		
Current portion of long-term debt	$ 70.8	$ 161.4
Accounts payable	348.3	373.1
Accrued wages and salaries	49.6	55.4
Accrued interest	75.7	78.0
Other current liabilities	130.6	125.8
Current liabilities of business held for sale	525.3	26,851.3
Total current liabilities	1,200.3	27,645.0
Long-term debt, net of current portion	5,189.4	5,543.7
Deferred income taxes	314.2	493.2
Other long-term liabilities	119.1	64.8
Noncurrent liabilities of business held for sale	—	156.1
Total liabilities	6,823.0	33,902.8

Commitments and contingencies (Note 17)		
Shareholders' equity		
Common Stock	2.1	2.0
Additional paid-in capital	1,270.4	1,372.9
Accumulated deficit	(78.3)	(925.9)
Accumulated other comprehensive (loss) income, net of tax	(141.8)	309.0
Total shareholders' equity	1,052.4	758.0
Noncontrolling interest	637.4	1,188.9
Total equity	1,689.8	1,946.9
Total liabilities and equity	$ 8,512.8	$ 35,849.7

See accompanying notes to the condensed consolidated financial statements

Table of Contents

SPECTRUM BRANDS HOLDINGS, INC. (formerly HRG, Group, Inc.)

Condensed Consolidated Statements of Income

For the three and nine month periods ended June 30, 2018 and 2017

(unaudited)

	Three Month Periods Ended		Nine Month Periods Ended	
(in millions, except per share)	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net sales	$ 945.5	$ 862.9	$ 2,358.1	$ 2,221.6
Investment income	—	0.1	—	1.1
Revenue	945.5	863.0	2,358.1	2,222.7
Cost of goods sold	586.0	531.5	1,484.5	1,339.2
Restructuring and related charges	4.9	11.2	9.9	16.4
Gross profit	354.6	320.3	863.7	867.1
Selling	123.9	127.9	363.8	353.9
General and administrative	74.7	69.3	226.9	228.6
Research and development	6.9	7.2	21.1	20.9
Acquisition and integration related charges	2.3	5.2	12.0	11.6
Restructuring and related charges	20.5	10.0	59.1	14.9
Total operating expenses	228.3	219.6	682.9	629.9
Operating income	126.3	100.7	180.8	237.2
Interest expense	63.5	76.1	206.6	232.4
Other non-operating (income) expense, net	(2.3)	1.3	(4.6)	1.7
Income (loss) from continuing operations before income taxes	65.1	23.3	(21.2)	3.1
Income tax (benefit) expense	(337.8)	19.5	(464.9)	49.1
Net income (loss) from continuing operations	402.9	3.8	443.7	(46.0)
Income from discontinued operations – HRG Insurance Operations, net of tax	5.9	7.7	465.9	195.4
(Loss) income from discontinued operations - GBA, net of tax	(9.5)	28.3	32.0	99.8
Net income	399.3	39.8	941.6	249.2
Net income attributable to non-controlling interest	22.0	37.7	93.9	117.0
Net income attributable to controlling interest	$ 377.3	$ 2.1	$ 847.7	$ 132.2
Amounts attributable to controlling interest				
Net income (loss) from continuing operations attributable to controlling interest	$ 377.4	$ (16.6)	$ 368.1	$ (88.6)
Net (loss) income from discontinued operations attributable to controlling interest	(0.1)	18.7	479.6	220.8
Net income attributable to controlling interest	$ 377.3	$ 2.1	$ 847.7	$ 132.2
Earnings Per Share				
Basic earnings per share from continuing operations	$ 11.52	$ (0.51)	$ 11.31	$ (2.75)

Basic earnings per share from discontinued operations	—	0.57	14.74	6.85
Basic earnings per share	$ 11.52	$ 0.06	$ 26.05	$ 4.10
Diluted earnings per share from continuing operations	$ 11.51	$ (0.51)	$ 11.26	$ (2.75)
Diluted earnings per share from discontinued operations	—	0.57	14.67	6.85
Diluted earnings per share	$ 11.51	$ 0.06	$ 25.93	$ 4.10
Weighted Average Shares Outstanding				
Basic	32.7	32.3	32.5	32.2
Diluted	32.8	32.3	32.7	32.2

See accompanying notes to the condensed consolidated financial statements

3

Table of Contents

SPECTRUM BRANDS HOLDINGS, INC. (formerly HRG, Group, Inc.)

Condensed Consolidated Statements of Comprehensive Income

For the three and nine month periods ended June 30, 2018 and June 30, 2017

(unaudited)

(in millions)	Three Month Periods Ended June 30, 2018	Three Month Periods Ended June 30, 2017	Nine Month Periods Ended June 30, 2018	Nine Month Periods Ended June 30, 2017
Net income	$ 399.3	$ 39.8	$ 941.6	$ 249.2
Other comprehensive income (loss)				
Foreign currency translation (loss) gain	(61.5)	31.9	(43.2)	4.0
Deferred tax effect	2.7	(1.8)	6.6	1.7
Deferred tax valuation allowance	(0.3)	0.2	(0.3)	0.2
Net unrealized gain on foreign currency translation	(59.1)	30.3	(36.9)	5.9
Unrealized gain (loss) on derivative instruments				
Unrealized gain (loss) on hedging activity before reclassification	40.6	(44.3)	21.4	(11.1)
Net reclassification for loss (gain) to income from continuing operations	0.1	(0.3)	(0.3)	(0.6)
Net reclassification for loss (gain) to income from discontinued operations	1.2	(2.0)	7.3	(10.6)
Unrealized gain (loss) on hedging instruments after reclassification	41.9	(46.6)	28.4	(22.3)
Deferred tax effect	(11.5)	16.4	(7.8)	6.6
Net unrealized gain (loss) on hedging derivative instruments	30.4	(30.2)	20.6	(15.7)
Defined benefit pension gain (loss)				
Defined benefit pension gain (loss) before reclassification	2.8	(5.4)	0.6	(3.0)
Net reclassification for loss to income from continuing operations	0.3	0.6	0.8	1.7
Net reclassification for loss to income from discontinued operations	0.5	0.8	1.6	2.3
Defined benefit pension gain (loss) after reclassification	3.6	(4.0)	3.0	1.0
Deferred tax effect	(0.7)	0.8	(0.5)	(0.3)
Net defined benefit pension gain (loss)	2.9	(3.2)	2.5	0.7
Unrealized investment gain				
Unrealized investment gain before reclassification	—	358.3	26.0	5.8
Net reclassification for loss (gain) to income from discontinued operations	—	26.9	(6.3)	23.0
Unrealized gain on investments after reclassification	—	385.2	19.7	28.8
Adjustments to intangible assets	—	(113.6)	(0.9)	11.6
Deferred tax effect	—	(94.4)	(6.7)	(14.3)
Net unrealized gain on investments	—	177.2	12.1	26.1
Deconsolidation of HRG insurance operations	—	—	(445.9)	—
Net change to derive comprehensive (loss) income for the period	(25.8)	174.1	(447.6)	17.0
Comprehensive income	373.5	213.9	494.0	266.2

Comprehensive (loss) income attributable to non-controlling interest	(10.1)	71.2	(2.5)	118.7
Comprehensive income attributable to controlling interest	$ 383.6	$ 142.7	$ 496.5	$ 147.5

See accompanying notes to the condensed consolidated financial statements

4

Table of Contents

SPECTRUM BRANDS HOLDINGS, INC. (formerly HRG, Group, Inc.)

Condensed Consolidated Statements of Cash Flows

For the nine month periods ended June 30, 2018 and June 30, 2017

(unaudited)

(in millions)	Nine Month Periods Ended June 30, 2018	June 30, 2017
Cash flows from operating activities		
Net income	$ 941.6	$ 249.2
Income from discontinued operations, net of tax	497.9	295.2
Net income (loss) from continuing operations	443.7	(46.0)
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	99.4	94.3
Share based compensation	6.4	28.5
Amortization of debt issuance costs and debt discount	16.3	13.2
Write-off of unamortized discount and debt issuance costs	(0.6)	2.5
Purchase accounting inventory adjustment	0.8	0.8
Pet safety recall inventory write-off	3.6	13.0
Dividends from subsidiaries classified as discontinued operations	3.1	9.3
Deferred tax (benefit) expense	(497.9)	12.1
Net changes in operating assets and liabilities	(223.5)	(196.7)
Net cash used by operating activities from continuing operations	(148.7)	(69.0)
Net cash provided by operating activities from discontinued operations	92.3	299.2
Net cash (used) provided by operating activities	(56.4)	230.2
Cash flows from investing activities		
Purchases of property, plant and equipment	(49.2)	(51.1)
Proceeds from sales of property, plant and equipment	2.8	3.6
Business acquisitions, net of cash acquired	—	(304.7)
Proceeds from sale of insurance operations	1,546.8	—
Net asset-based loan repayments	—	29.8
Other investing activities, net	(0.4)	(1.2)
Net cash provided (used) by investing activities from continuing operations	1,500.0	(323.6)
Net cash used by investing activities from discontinued operations	(201.8)	(991.4)
Net cash provided (used) by investing activities	1,298.2	(1,315.0)
Cash flows from financing activities		
Proceeds from issuance of debt	555.3	606.9
Payment of debt	(1,007.6)	(253.9)
Payment of debt issuance costs	(0.4)	(7.0)

Purchase of subsidiary stock, net	(288.0)	(165.9)
Purchase of non-controlling interest	—	(12.6)
Dividend paid by subsidiary to non-controlling interest	(28.4)	(30.3)
Share based award tax withholding payments, net of proceeds upon vesting	(24.3)	(40.7)
Other financing activities, net	20.7	5.5
Net cash (used) provided by financing activities from continuing operations	(772.7)	102.0
Net cash provided by financing activities from discontinued operations	116.2	711.1
Net cash (used) provided by financing activities	(656.5)	813.1
Effect of exchange rate changes on cash and cash equivalents	(3.1)	(1.5)
Net change in cash and cash equivalents	582.2	(273.2)
Net change in cash and cash equivalents in discontinued operations	37.7	(74.2)
Net change in cash and cash equivalents in continuing operations	544.5	(199.0)
Cash and cash equivalents, beginning of period	270.1	465.2
Cash and cash equivalents, end of period	$ 814.6	$ 266.2
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 234.7	$ 207.2
Cash paid for taxes	$ 32.7	$ 28.7
Non cash investing activities		
Acquisition of property, plant and equipment through capital leases	$ 5.3	$ 133.7

See accompanying notes to the condensed consolidated financial statements

5

Table of Contents

SB/RH HOLDINGS, LLC

Condensed Consolidated Statements of Financial Position

As of July 1, 2018 and September 30, 2017

(unaudited)

(in millions)	July 1, 2018	September 30, 2017
Assets		
Cash and cash equivalents	$ 146.9	$ 168.2
Trade receivables, net	384.2	266.0
Other receivables	57.7	18.7
Inventories	546.7	496.3
Prepaid expenses and other current assets	68.1	54.2
Current assets of business held for sale	1,913.1	603.0
Total current assets	3,116.7	1,606.4
Property, plant and equipment, net	494.2	503.1
Deferred charges and other	43.7	28.4
Goodwill	2,269.4	2,277.1
Intangible assets, net	1,564.8	1,612.0
Noncurrent assets of business held for sale	—	1,376.9
Total assets	$ 7,488.8	$ 7,403.9
Liabilities and Shareholder's Equity		
Current portion of long-term debt	$ 20.8	$ 19.4
Accounts payable	348.0	371.6
Accrued wages and salaries	41.2	49.9
Accrued interest	43.3	48.5
Other current liabilities	123.9	118.9
Current liabilities of business held for sale	525.3	500.6
Total current liabilities	1,102.5	1,108.9
Long-term debt, net of current portion	4,253.5	3,752.3
Deferred income taxes	315.1	493.2
Other long-term liabilities	113.2	58.0
Noncurrent liabilities of business held for sale	—	156.1
Total liabilities	5,784.3	5,568.5
Commitments and contingencies (Note 17)		
Shareholder's equity		
Other capital	2,071.4	2,079.0
Accumulated deficit	(153.3)	(42.8)
Accumulated other comprehensive loss, net of tax	(223.5)	(209.6)
Total shareholder's equity	1,694.6	1,826.6
Noncontrolling interest	9.9	8.8
Total equity	1,704.5	1,835.4

Total liabilities and equity	$ 7,488.8	$ 7,403.9

See accompanying notes to the condensed consolidated financial statements

6

Table of Contents

SB/RH HOLDINGS, LLC

Condensed Consolidated Statements of Income

For the three and nine month periods ended July 1, 2018 and July 2, 2017

(unaudited)

(in millions)	Three Month Periods Ended July 1, 2018	Three Month Periods Ended July 2, 2017	Nine Month Periods Ended July 1, 2018	Nine Month Periods Ended July 2, 2017
Net sales	$ 945.5	$ 862.9	$ 2,358.1	$ 2,221.6
Cost of goods sold	586.0	531.5	1,484.5	1,339.2
Restructuring and related charges	4.9	11.2	9.9	16.4
Gross profit	354.6	320.2	863.7	866.0
Selling	123.9	127.9	363.8	353.9
General and administrative	66.6	57.8	180.6	181.7
Research and development	6.9	7.2	21.1	20.9
Acquisition and integration related charges	2.3	5.2	12.0	11.6
Restructuring and related charges	20.5	10.0	59.1	14.9
Total operating expenses	220.2	208.1	636.6	583.0
Operating income	134.4	112.1	227.1	283.0
Interest expense	43.6	39.8	124.2	122.0
Other non-operating expense, net	0.7	1.4	3.5	2.3
Income from continuing operations before income taxes	90.1	70.9	99.4	158.7
Income tax (benefit) expense	20.5	19.8	(111.0)	53.3
Net income from continuing operations	69.6	51.1	210.4	105.4
(Loss) income from discontinued operations, net of tax	(9.5)	28.3	32.0	99.8
Net income	60.1	79.4	242.4	205.2
Net income attributable to non-controlling interest	0.2	1.7	1.0	1.5
Net income attributable to controlling interest	$ 59.9	$ 77.7	$ 241.4	$ 203.7
Amounts attributable to controlling interest				
Net income from continuing operations attributable to controlling interest	$ 69.5	$ 51.1	$ 209.5	$ 105.4
Net (loss) income from discontinued operations attributable to controlling interest	(9.6)	26.6	31.9	98.3
Net income attributable to controlling interest	$ 59.9	$ 77.7	$ 241.4	$ 203.7

See accompanying notes to the condensed consolidated financial statements

7

Table of Contents

SB/RH HOLDINGS, LLC

Condensed Consolidated Statements of Comprehensive Income

For the three and nine month periods ended July 1, 2018 and July 2, 2017

(unaudited)

(in millions)	Three Month Periods Ended July 1, 2018	Three Month Periods Ended July 2, 2017	Nine Month Periods Ended July 1, 2018	Nine Month Periods Ended July 2, 2017
Net income	$ 60.1	$ 79.4	$ 242.4	$ 205.2
Other comprehensive income (loss)				
Foreign currency translation (loss) gain	(61.5)	31.9	(43.2)	4.0
Deferred tax effect	2.7	(1.8)	6.6	1.7
Deferred tax valuation allowance	(0.3)	0.2	(0.3)	0.2
Net unrealized (loss) gain on foreign currency translation	(59.1)	30.3	(36.9)	5.9
Unrealized gain (loss) on derivative instruments				
Unrealized gain (loss) on hedging activity before reclassification	40.6	(44.3)	21.4	(11.1)
Net reclassification for loss (gain) to income from continuing operations	0.1	(0.3)	(0.3)	(0.6)
Net reclassification for loss (gain) to income from discontinued operations	1.2	(2.0)	7.3	(10.6)
Unrealized gain (loss) on hedging instruments after reclassification	41.9	(46.6)	28.4	(22.3)
Deferred tax effect	(11.5)	16.4	(7.8)	6.6
Net unrealized gain (loss) on hedging derivative instruments	30.4	(30.2)	20.6	(15.7)
Defined benefit pension gain (loss)				
Defined benefit pension gain (loss) before reclassification	2.8	(4.5)	0.6	(3.0)
Net reclassification for loss to income from continuing operations	0.3	0.6	0.8	1.7
Net reclassification for loss to income from discontinued operations	0.5	0.8	1.6	2.3
Defined benefit pension gain (loss) after reclassification	3.6	(3.1)	3.0	1.0
Deferred tax effect	(0.7)	0.8	(0.5)	(0.3)
Net defined benefit pension gain (loss)	2.9	(2.3)	2.5	0.7
Net change to derive comprehensive loss for the period	(25.8)	(2.2)	(13.8)	(9.1)
Comprehensive income	34.3	77.2	228.6	196.1
Comprehensive loss attributable to non-controlling interest	(0.6)	(0.2)	(0.1)	(0.4)
Comprehensive income attributable to controlling interest	$ 34.9	$ 77.4	$ 228.7	$ 196.5

See accompanying notes to the condensed consolidated financial statements

8

Table of Contents

SB/RH HOLDINGS, LLC

Condensed Consolidated Statements of Cash Flows

For the nine month periods ended July 1, 2018 and July 2, 2017

(in millions, unaudited)

	Nine Month Periods Ended	
(in millions)	July 1, 2018	July 2, 2017
Cash flows from operating activities		
Net income	$ 242.4	$ 205.2
Income from discontinued operations, net of tax	32.0	99.8
Income from continuing operations	210.4	105.4
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	99.3	94.1
Share based compensation	4.0	21.6
Amortization of debt issuance costs	6.0	5.4
Write-off of unamortized discount and debt issuance costs	—	2.5
Purchase accounting inventory adjustment	0.8	0.8
Non-cash debt accretion	0.7	0.6
Pet safety recall inventory write-off	3.6	13.0
Deferred tax (benefit) expense	(144.0)	16.7
Net changes in operating assets and liabilities	(273.3)	(232.9)
Net cash (used) provided by operating activities from continuing operations	(92.5)	27.2
Net cash (used) provided by operating activities from discontinued operations	(5.0)	117.3
Net cash (used) provided by operating activities	(97.5)	144.5
Cash flows from investing activities		
Purchases of property, plant and equipment	(49.2)	(51.1)
Proceeds from sales of property, plant and equipment	2.8	3.5
Business acquisitions, net cash acquired	—	(304.7)
Other investing activities	(0.4)	(1.1)
Net cash used by investing activities from continuing operations	(46.8)	(353.4)
Net cash used by investing activities from discontinued operations	(27.0)	(26.3)
Net cash used by investing activities	(73.8)	(379.7)
Cash flows from financing activities		
Proceeds from issuance of debt	555.3	556.9
Payment of debt	(51.0)	(225.0)
Payment of debt issuance costs	(0.4)	(5.9)
Purchase of non-controlling interest	—	(12.6)
Payment of cash dividends to parent	(351.8)	(240.1)
Net cash provided by financing activities from continuing operations	152.1	73.3
Net cash provided by financing activities from discontinued operations	1.0	2.4

Net cash provided by financing activities	153.1	75.7
Effect of exchange rate changes on cash and cash equivalents	(3.1)	(1.5)
Net change in cash and cash equivalents	(21.3)	(161.0)
Cash and cash equivalents, beginning of period	168.2	270.8
Cash and cash equivalents, end of period	$ 146.9	$ 109.8
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 164.2	$ 138.1
Cash paid for taxes	$ 32.7	$ 28.7
Non cash investing activities		
Acquisition of property, plant and equipment through capital leases	$ 5.3	$ 133.7

See accompanying notes to the condensed consolidated financial statements

SPECTRUM BRANDS HOLDINGS, INC. (formerly HRG, Group, Inc.)
SB/RH HOLDINGS, LLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in millions, unaudited)

This report is a combined report of Spectrum Brands Holdings, Inc. (“SBH”, formerly HRG Group, Inc.) and SB/RH Holdings, LLC (“SB/RH”) (collectively, the “Company”). The notes to the condensed consolidated financial statements that follow include both consolidated SBH and SB/RH notes, unless otherwise indicated below.

NOTE 1 - DESCRIPTION OF BUSINESS

On July 13, 2018, subsequent to the period-end date of June 30, 2018 and prior to the issuance of this Quarterly Report, the Company completed the planned Spectrum Merger. Prior to the Spectrum Merger, SBH was a holding company, doing business as HRG Group, Inc. (“HRG”) and conducting its operations principally through its majority owned subsidiary. Effective the date of the Spectrum Merger, management of the organization was assumed by its majority owned subsidiary, Spectrum Brands Holdings, Inc. (“Spectrum”, subsequently renamed Spectrum Brands Legacy, Inc.); resulting in HRG changing its name to SBH and changing the ticker of common stock traded on the New Your Stock Exchange (“NYSE”) from the symbol “HRG” to “SPB”. See Note 4 – Acquisitions for more information pertaining to the Spectrum Merger.

Prior to the Spectrum Merger, the reportable segments consisted of (i) Consumer Products, which represented HRG’s 62.0% controlling interest in Spectrum, and (ii) Corporate and Other, which presented the holding company at HRG and other subsidiaries of HRG. Effective the date of the merger, the manner in which management views its business activities changed to reflect the reporting segments of Spectrum. See Note 18 – Segment Information for further discussion

Spectrum

Spectrum is a diversified global branded consumer products company. Spectrum manufactures, markets and/or distributes its products in approximately 160 countries in the North America (“NA”), Europe, Middle East & Africa (“EMEA”), Latin America (“LATAM”) and Asia-Pacific (“APAC”) regions through a variety of trade channels, including retailers, wholesalers and distributors, original equipment manufacturers (“OEMs”), construction companies and hearing aid professionals. We enjoy strong name recognition in our regions under our various brands and patented technologies. Our diversified global branded consumer products have positions in several product categories and types. Spectrum manages the businesses in vertically integrated, product-focused segments: (i) Global Batteries & Appliances (“GBA”), (ii) Global Pet Supplies (“PET”), (iii) Home and Garden (“H&G”), (iv) Hardware & Home Improvement (“HHI”) and (v) Global Auto Care (“GAC”). Global and geographic strategic initiatives and financial objectives are determined at the corporate level. Each segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives and has a president responsible for sales and marketing initiatives and the financial results for all product lines within that segment.

Effective December 29, 2017, Spectrum approved a plan to explore strategic alternatives, including a planned sale of its GBA segment and is expected to be realized by December 31, 2018. As a result, the assets and liabilities associated with GBA have been classified as held for sale in the accompanying Condensed Consolidated Balance Sheets and the respective operations of GBA have been classified as discontinued operations in the accompanying Condensed Consolidated Statements of Income and Statements of Cash Flows; and reported separately for all periods presented as the disposition represents a strategic shift that will have a major effect on the Company's operations and financial results. See Note 3 – Divestitures for more information on the assets and liabilities classified as held for sale and discontinued operations. See Note 18 - Segment Information for more information pertaining to Spectrum's segments of continuing operations. The following table summarizes the respective product types, brands, and regions for each of the segments of continuing operations:

Segment	Products	Brands	Regions
HHI	Hardware: Hinges, security hardware, screen and storm door products, garage door hardware, window hardware and floor protection. Security: Residential locksets and door hardware including knobs, levers, deadbolts, handlesets and electronics. Commercial doors, locks, and hardware. Plumbing: Kitchen, bath and shower faucets and plumbing products.	Hardware: National Hardware®, Stanley® and FANAL®. Security: Kwikset®, Weiser®, Baldwin®, EZSET® and Tell®. Plumbing: Pfister®.	NA EMEA LATAM APAC
PET	Companion Animal: Dog, cat and small animal food and treats; clean-up and training aid products and accessories; pet health and grooming products. Aquatics: Aquariums and aquatic health supplies.	Companion Animal: 8-in-1®, Dingo®, Nature's Miracle®, Wild Harvest®, Littermaid®, Jungle®, Excel®, FURminator®, IAMS®, Eukanuba®, Healthy-Hide®, DreamBone®, SmartBones®, GloFish®, ProSense®, Perfect Coat®, eCOTRITION®, Birdola® and Digest-eeze®. Aquatics: Tetra®, Marineland®, Whisper® and Instant Ocean®.	NA EMEA LATAM APAC
H&G	Controls: Outdoor insect and weed control solutions, animal repellents. Household: Household insecticides and pest controls. Repellents: Personal use pesticides and insect repellent products.	Controls: Spectracide®, Garden Safe®, Liquid Fence®, and EcoLogic®. Household: Hot Shot®, Black Flag®, Real Kill®, Ultra Kill®, The Ant Trap® (TAT), and Rid-a-Bug®. Repellents: Cutter® and Repel®.	NA LATAM
GAC	Appearance: Protectants, wipes, tire and wheel care products, glass cleaners, leather care products, air fresheners and washes. Performance: Automotive fuel and	Appearance: Armor All®. Performance: STP®. A/C Recharge: A/C PRO®.	NA EMEA LATAM APAC

oil additives, and functional fluids.
A/C Recharge: Do-it-yourself air conditioner recharge products, refrigerant and oil recharge kits, sealants and accessories.

SB/RH Holdings, LLC

SB/RH is a wholly owned subsidiary of Spectrum and ultimately, SBH. SB/RH along with its wholly-owned subsidiary, Spectrum Brands, Inc. (“SBI”) issued certain debt guaranteed by domestic subsidiaries. The reportable segments of SB/RH are consistent with the segments of Spectrum.

10

Table of Contents

NOTE 1 - DESCRIPTION OF BUSINESS (continued)

HRG – Insurance Operations

On November 30, 2017, Fidelity & Guaranty Life (“FGL”), a former majority owned subsidiary of HRG, completed its merger (the “FGL Merger”) with CF Corporation and its related entities (collectively, the “CF Entities”) in accordance with its previously disclosed Agreement and Plan of Merger (the “FGL Merger Agreement”). In addition, pursuant to a share purchase agreement, on November 30, 2017, Front Street Re (Delaware) Ltd., a wholly-owned subsidiary of HRG, sold to the CF Entities (such sale, the “Front Street Sale”) all of the issued and outstanding shares of its former wholly-owned subsidiaries, Front Street Re Cayman Ltd. and Front Street Re Ltd (collectively, “Front Street”, and together with FGL, the “Insurance Operations”). Pursuant to the share purchase agreement, on December 5, 2017, the Company repaid the $92.0 million of notes (such notes, the “HGI Energy Notes”) issued by HGI Energy, which were held directly and indirectly by Front Street and FGL. As a result of the completion of the FGL Merger and the Front Street Sale, HRG no longer has any equity interest in FGL or Front Street and HRG’s former Insurance Operations business is presented as discontinued operations for prior periods. HRG deconsolidated FGL and Front Street as of November 30, 2017. See Note 3 – Divestitures for more information pertaining to the disposition of HRG’s former Insurance Operations business.

HRG - Salus

HRG, through its subsidiary, Salus, uses VIE for securitization activities, in which Salus transfers whole loans into a trust or other vehicle such that the assets are legally isolated from the creditors of Salus. Assets held in a trust can only be used to settle obligations of the trust. The creditors of these trusts typically have no recourse to Salus except in accordance with the obligations under standard representations and warranties. When Salus is the servicer of whole loans held in a securitization trust, Salus has the power to direct the most significant activities of the trust. Salus consolidates a whole-loan securitization trust if it has the power to direct the most significant activities and also holds securities issued by the trust or has other contractual arrangements, other than standard representations and warranties that could potentially be significant to the trust.

NOTE 2 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Fiscal Period-End

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company and its majority owned subsidiaries in accordance with accounting principles for interim financial information generally accepted in the United States and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and notes necessary for a comprehensive presentation of financial position and results of operations. It is management’s opinion, however, that all material adjustments have been made which are necessary for a fair financial statement presentation. For further information, refer to the Spectrum and SBRH historical audited consolidated financial statements and notes included in the Spectrum Annual Report on Form 10-K for the year ended September 30, 2017 as revised in Spectrum’s Current Report on Form 8-K dated March 30, 2018 to retroactively adjust for recognition of discontinued operations for the GBA divestitures, and HRG’s Annual Report on Form 10-K for the year ended September 30, 2017 as revised in HRG’s Current Report on Form 8-K dated March 30, 2018 to retroactively adjust for recognition of discontinued operations for the GBA divestitures.

HRG’s fiscal year ends on September 30 and the quarters end on the last calendar day of the months of December, March and June. Spectrum’s fiscal year ends September 30 and reports its results using fiscal quarters whereby each three month quarterly reporting period is approximately thirteen weeks in length and ends on a Sunday. The exceptions are the first quarter, which begins on October 1, and the fourth quarter, which ends on September 30. As a result, the fiscal period end date for the three and nine month periods included within this Quarterly Report for SBH is June 30, 2018, consistent to the HRG fiscal calendar, and the fiscal period end date for the three and nine month periods included within this Quarter Report for SBRH is July 1, 2018, consistent to the Spectrum fiscal calendar. The Company did not adjust for the difference in the fiscal periods between Spectrum and HRG as such difference would be less than 93 days, pursuant to Regulation S-X Rule 3A-02.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU requires revenue recognition to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new revenue recognition model requires identifying the contract and performance obligations, determining the transaction price, allocating the transaction price to performance obligations and recognizing the revenue upon satisfaction of performance obligations. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. This ASU can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the updates recognized at the date of the initial application along with additional disclosures. The ASU will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2019. We have performed a preliminary assessment over the impact of the pronouncement to the Company and are currently performing detailed assessments over the contracts with our customers and the impact to our processes and control environment. We have not measured the impact of adoption at this point in our assessment and have not concluded on the overall materiality of the impact of adoption to the Company’s consolidated financial statements and disclosures, or the method of adoption, but have not identified any matters that are considered significant for further disclosure.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which supersedes the lease requirements in ASC 840, Leases. This ASU requires lessees to recognize lease assets and liabilities on the balance sheet, as well as disclosing key information about leasing arrangements. Although the new ASU requires both operating and finance leases to be disclosed on the balance sheet, a distinction between the two types still exists as the economics of leases can vary. The ASU can be applied using a modified retrospective approach, with a number of optional practical expedients relating to the identification and classification of leases that commenced before the effective date, along with the ability to use hindsight in the evaluation of lease decisions, that entities may elect to apply. As a result, the ASU will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2020, with early adoption applicable. We have not measured the impact of adoption at this point in our assessment and have not concluded on the overall materiality of the impact of adoption to the Company's consolidated financial statements, or determined the method and timing of adoption.

NOTE 2 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments, which addresses diversity in practice with the classification and presentation of certain cash receipts and cash payments in the statement of cash flows. The amendments in this update address the classification within the statement of cash flow for debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent payments made after a business combination, proceeds from the settlement of insurance claims and corporate-owned life insurance policies, distributions received from equity method investees, and beneficial interests in securitization transactions, among other separately identifiable cash flows when applying the predominance principle. The ASU is applied on a retrospective basis, and will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2019; with early adoption available. We are currently assessing the impact this pronouncement will have on the consolidated financial statements of the Company and have not yet concluded on the materiality or timing of adoption.

In November 2016, the FASB issued ASU No. 2016-18, Restricted Cash, which addresses diversity in practice with the classification and presentation of restricted cash in the statement of cash flow, classifying transfers between cash and restricted cash as operating, investing, or financing activities, or as a combination of those activities, in the statement of cash flows. The amendment requires the statement of cash flows to explain the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents; and include with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the statement of cash flows. The ASU is applied on a retrospective basis, and will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2019; with early adoption available. We are currently assessing the impact this pronouncement will have on the consolidated financial statements of the Company and have not yet concluded on the materiality or timing of adoption.

In March 2017, the FASB issued ASU No. 2017-07, Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which requires an employer to disaggregate the service cost component from the other components of net periodic pension costs within the statement of income. The amendment provides guidance requiring the service cost component to be recognized consistent with other compensation costs arising from service rendered by employees during the period, and all other components to be recognized separately outside of the subtotal of income from operations. The ASU is applied on a retrospective basis, and will become effective for us in the first quarter of the year ending September 30, 2019; with early adoption available. We are currently assessing the impact this pronouncement will have on the consolidated financial statements of the Company and have not yet concluded on the materiality of the adoption.

In August 2017, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2017-12, Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities (Topic 815), which changes the designation and measurement guidance for qualifying hedging relationships and presentation of hedge results. The amendments in this update make certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP, better aligning the entity's risk management activities and financial reporting for hedging relationships. The ASU can only be applied prospectively, and will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2020; with early adoption available. We are currently assessing the impact this pronouncement will have on the consolidated financial statements of the Company and have not yet concluded on the materiality or timing of the adoption.

During the three month period ended December 31, 2017, the Company adopted SEC Staff Accounting Bulletin No. 118 to address the application of U.S. GAAP in situations when the registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for the transition adjustment for certain income tax effects of the Tax Cuts and Jobs Act. See Note 16 – Income Taxes for additional discussion.

NOTE 3 – DIVESTITURES

GBA

As previously discussed in Note 1 - Basis of Presentation and Nature of Operations, GBA was classified as held for sale in the accompanying Condensed Consolidated Balance Sheets and as discontinued operations in the accompanying Condensed Consolidated Statements of Income. The following table summarizes the assets and liabilities of GBA classified as held for sale as of June 30, 2018 and September 30, 2017.

(in millions)	June 30, 2018	September 30, 2017
Assets		
Trade receivables, net	$ 193.5	$ 260.1
Other receivables	24.7	24.0
Inventories	319.9	279.2
Prepaid expenses and other current assets	39.6	39.7
Property, plant and equipment, net	193.7	196.8
Deferred charges and other	15.3	19.3
Goodwill	344.8	348.9
Intangible assets, net	781.6	811.9
Total assets of business held for sale	$ 1,913.1	$ 1,979.9
Liabilities		
Current portion of long-term debt	18.6	17.3
Accounts payable	227.1	355.9
Accrued wages and salaries	34.2	37.6
Other current liabilities	94.7	89.8
Long-term debt, net of current portion	51.2	51.7
Deferred income taxes	37.3	38.2
Other long-term liabilities	62.2	66.2
Total liabilities of business held for sale	$ 525.3	$ 656.7

Table of Contents

NOTE 3 – DIVESTITURES (continued)

The following table summarizes the components of Income From Discontinued Operations - GBA in the accompanying Condensed Consolidated Statements of Operations for the three and nine month periods ended June 30, 2018 and 2017.

	Three Month Periods Ended		Nine Month Periods Ended	
(in millions)	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net sales	$ 442.0	$ 441.0	$ 1,473.2	$ 1,464.0
Cost of goods sold	298.1	287.8	982.4	951.5
Gross profit	143.9	153.2	490.8	512.5
Operating expenses	137.3	106.2	403.3	336.6
Operating income	6.6	47.0	87.5	175.9
Interest expense	14.1	12.7	40.3	37.2
Other non-operating expense, net	3.7	0.7	4.1	0.6
(Loss) income from discontinued operations before income taxes	(11.2)	33.6	43.1	138.1
Income tax (benefit) expense	(1.7)	5.3	11.1	38.3
Net (loss) income from discontinued operations	(9.5)	28.3	32.0	99.8
Net income from discontinued operations attributable to non-controlling interest	0.1	1.7	0.1	1.5
Net (loss) income from discontinued operations attributable to controlling interest	$ (9.6)	$ 26.6	$ 31.9	$ 98.3

Interest expense consists of interest from debt directly held by subsidiaries of the business held for sale, including interest from capital leases, and interest on Term Loans required to be paid down using proceeds received on disposal on sale of a business within 365 days with the exception for funds used for capital expenditures and acquisitions. No impairment loss has been recognized as the fair value or expected proceeds from the disposal of the businesses are anticipated to be in excess of the asset carrying values. During the three and nine month periods ended June 30, 2018, the Company incurred transaction costs of $24.3 million and $49.4 million, respectively, associated with the divestiture and has been recognized as a component of Income From Discontinued Operations – GBA on the Condensed Consolidated Statements of Income. Transaction costs are expensed as incurred and include fees for investment banking services, legal, accounting, due diligence, tax, valuation and various other services necessary to complete the transactions.

Energizer Holdings, Inc.

On January 15, 2018 Spectrum entered into a definitive Acquisition Agreement ("Agreement") with Energizer Holdings, Inc. ("Energizer") where Energizer will acquire from Spectrum its Global Battery and Lighting ("GBL") business for an aggregate purchase price of $2.0 billion in cash, subject to customary purchase price adjustments.

The Agreement provides that Energizer will purchase the equity of certain subsidiaries of Spectrum, and acquire certain assets and assume certain liabilities of other subsidiaries used or held for the purpose of the GBL business.

In the Agreement, Spectrum and Energizer have made customary representations and warranties and have agreed to customary covenants relating to the acquisition. Among other things, prior to the consummation of the acquisition, Spectrum will be subject to certain business conduct restrictions with respect to its operation of the GBL business.

Spectrum and Energizer have agreed to indemnify each other for losses arising from certain breaches of the Agreement and for certain other matters. In particular, the Spectrum has agreed to indemnify Energizer for certain liabilities relating to the assets retained by Spectrum, and Energizer has agreed to indemnify Spectrum for certain liabilities assumed by Energizer, in each case as described in the Agreement.

Spectrum and Energizer have agreed to enter into related agreements ancillary to the acquisition that will become effective upon the consummation of the acquisition, including a customary transition services agreement and reverse transition services agreement.

The consummation of the acquisition is subject to certain customary conditions, including, among other things, (i) the absence of a material adverse effect on GBL, (ii) the expiration or termination of required waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, (iii) the receipt of certain other antitrust approvals in certain specified foreign jurisdictions (the conditions contained in (ii) and (iii) together, the "Antitrust Conditions"), (iv) the accuracy of the representations and warranties of the parties generally subject to a customary material adverse effect standard (as described in the Agreement) or other customary materiality qualifications), (v) the absence of governmental restrictions on the consummation of the acquisition in certain jurisdictions, and (vi) material compliance by the parties with their respective covenants and agreements under the Agreement. The consummation of the transaction is not subject to any financing condition. On March 29, 2018, the Federal Trade Commission allowed the expiration of the 30-day Hart-Scott-Rodino waiting period, which in effect provides US regulatory approval of the sale. We are proceeding with other required international regulatory approvals and continue to expect the transaction to be consummated prior to December 31, 2018.

The Agreement also contains certain termination rights, including the right of either party to terminate the Agreement if the consummation of the acquisition has not occurred on or before July 15, 2019 (the "Termination Date"). Further, if the acquisition has not been consummated by the Termination Date and all conditions precedent to Energizer's obligation to consummate the acquisition have otherwise been satisfied except for one or more of the Antitrust Conditions, then Energizer would be required to pay Spectrum a termination fee of $100 million.

The GBL business is a component of GBA, which also includes shared operations and assets of the remaining components of the segment consisting of the Home and Personal Care ("HPC") business. Spectrum is actively marketing the HPC business with interested parties for a separate transaction(s) expected to be entered into and consummated prior to December 31, 2018.

Table of Contents

NOTE 3 – DIVESTITURES (continued)

HRG - Insurance Operations

On November 30, 2017, Fidelity and Guaranty Life (“FGL”) completed the FGL Merger pursuant to which, except for certain shares specified in the FGL Merger Agreement, each issued and outstanding share of common stock of FGL was automatically canceled and converted into the right to receive $31.10 in cash, without interest. The total consideration received by HRG Group Inc. as a result of the completion of the FGL Merger was $1,518.3 million.

Also on November 30, 2017, Front Street Re (Delaware) Ltd. Sold to the CF Entities all of the issued and outstanding shares of Front Street for $65 million, which is subject to reduction for customary transaction expenses. In addition, $6.5 million of the purchase price was deposited in escrow for a period of 15 months to support any indemnification claims that might be made (if any) by the CF entities.

The operations of FGL were classified as held for sale in the accompanying Condensed Consolidated Statement of Financial Position at September 30, 2017 and as discontinued operations through November 30, 2017 in the accompanying Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Cash Flows.

Additionally, HRG, FS Holdco II Ltd. (“FS Holdco”) and the CF Entities entered into an agreement (the “338 Agreement”) on May 24, 2017 pursuant to which the CF Entities agreed that FS Holdco may, at its option, cause the relevant CF Entity and FS Holdco to make a joint election under Section 338(h)(10) of the Internal Revenue Code of 1986, as amended, with respect to the FGL Merger and the deemed share purchases of FGL’s subsidiaries (the “338 Tax Election”). Pursuant to the 338 Agreement, if FS Holdco elects to make the 338 Tax Election, FS Holdco and/or CF Corporation will be required to make a payment for the election to the other. On March 8, 2018, FS Holdco exercised the 338 Tax Election and the CF Entities were required to pay FS Holdco $26.6 million during the three month period ended June 30, 2018.

The following table summarizes the major categories of assets and liabilities of FGL classified as held for sale in the accompanying Condensed Consolidated Statement of Financial Position as of September 30, 2017.

(in millions)	September 30, 2017
Assets	
Investments, including loans and receivables from affiliates	$ 23,211.1
Funds withheld receivables	742.7
Cash and cash equivalents	914.5
Accrued investment income	231.3
Reinsurance recoverable	2,358.8
Deferred acquisition costs and value of business acquired, net	1,163.6
Other assets	125.4
Write-down of assets of businesses held for sale to fair value less cost to sell	(421.2)
Total assets of business held for sale	$ 28,326.2
Liabilities	
Insurance reserves	24,989.6
Debt	405.0
Accounts payable and other current liabililtes	56.2
Deferred tax liabilities	68.0
Other long-term liabilities	831.9
Total liabilities of business held for sale	$ 26,350.7

The following table summarizes the components of Income from Discontinued Operations – HRG Insurance Operations, in the accompanying Condensed Consolidated Statements of Income for the two month period ended November 30, 2017 and the three and nine month periods ended June 30, 2017.

(in millions)	Two Months ended November 30, 2017	Three months ended June 30, 2017	Nine months ended June 30, 2017
Revenues:			
Insurance premiums	$ 6.8	$ 12.7	$ 27.0
Net investment income	181.9	269.4	778.6
Net investment gains	154.8	102.8	237.5
Other	35.1	44.0	127.6
Total revenues	378.6	428.9	1,170.7
Operating costs and expenses:			
Benefits and other changes in policy reserves	241.3	266.0	575.4
Selling, acquisition, operating and general expenses	52.8	42.7	109.1
Amortization of intangibles	35.8	53.5	210.0
Total operating costs and expenses	329.9	362.2	894.5
Operating income	48.7	66.7	276.2
Interest expense and other	4.0	6.1	18.2
(Write-down) write-up of assets of business held for sale to fair value less cost to sell	(14.2)	(36.1)	35.6

Reclassification of accumulated other comprehensive income	445.9	—	—
Income from discontinued operations before income taxes	476.4	24.5	293.6