MULTI COLOR Corp
Form 10-Q
August 09, 2018
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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 Number 0-16148

Multi-Color Corporation

(Exact name of Registrant as specified in its charter)

OHIO	**31-1125853**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification No.)**

4053 Clough Woods Dr.

Batavia, Ohio 45103

(Address of Principal Executive Offices)

Registrant s Telephone Number (513) 381-1480

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated Filer	Accelerated Filer
Non-accelerated Filer	Smaller reporting company
	Emerging growth company

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

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

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of the latest practicable date.

Common shares, no par value 20,496,727 (as of July 31, 2018)

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MULTI-COLOR CORPORATION

FORM 10-Q

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Forward-Looking Statements

This report contains certain statements that are not historical facts that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and that are intended to be covered by the safe harbors created by that Act. All statements contained in this Form 10-Q other than statements of historical fact are forward-looking statements. Forward-looking statements include statements regarding our future financial position, business strategy, budgets, projected costs, plans and objectives of management for future operations. The words may, continue, estimate, intend, plan, will, believe, project, expect, anticipate and similar expressions (as well as the negative versions thereof) may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. With respect to the forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to differ materially from those expressed or implied. Such forward-looking statements speak only as of the date made. The Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which they are made.

Statements concerning expected financial performance, on-going business strategies, and possible future actions which the Company intends to pursue in order to achieve strategic objectives constitute forward-looking information. Implementation of these strategies and the achievement of such financial performance are each subject to numerous conditions, uncertainties and risk factors. Factors which could cause actual performance by the Company to differ materially from these forward-looking statements include, without limitation: factors discussed in conjunction with a forward-looking statement; changes in global economic and business conditions; changes in business strategies or plans; raw material cost pressures; availability of raw materials; availability to pass raw material cost increases to our customers; interruption of business operations; changes in, or the failure to comply with, government regulations, legal proceedings and developments, including, but not limited to, tax law changes; acceptance of new product offerings, services and technologies; new developments in packaging; our ability to effectively manage our growth and execute our long-term strategy; our ability to manage foreign operations and the risks involved with them, including compliance with applicable anti-corruption laws; currency exchange rate fluctuations; tariffs and tradewars; our ability to manage global political uncertainty; terrorism and political unrest; increases in general interest rate levels and credit market volatility affecting our interest costs; competition within our industry; our ability to consummate and successfully integrate acquisitions; our ability to recognize the benefits of acquisitions, including potential synergies and cost savings; failure of an acquisition or acquired company to achieve its plans and objectives generally; risk that proposed or consummated acquisitions may disrupt operations or pose difficulties in employee retention or otherwise affect financial or operating results; risk that some of our goodwill may be or later become impaired; the success and financial condition of our significant customers; our ability to maintain our relationship with our significant customers; dependence on information technology; our ability to market new products; our ability to maintain an effective system of internal control; ongoing claims, lawsuits and governmental proceedings, including environmental proceedings; availability, terms and developments of capital and credit; dependence on key personnel; quality of management; our ability to protect our intellectual property and the potential for intellectual property litigation; employee benefit costs; and risk associated with significant leverage. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In addition to the factors described in this paragraph and Part II, Item 1A of this Quarterly Report on Form 10-Q, Part I, Item 1A of our Annual Report on Form 10-K for the year ended March 31, 2018 contains a list and description of uncertainties, risks and other matters that may affect the Company.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (unaudited)

MULTI-COLOR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(in thousands, except per share data)

	Three Months Ended	
	June 30, 2018	June 30, 2017
Net revenues	**$ 456,131**	$ 242,440
Cost of revenues	**368,121**	192,983
Gross profit	**88,010**	49,457
Selling, general and administrative expenses	**42,768**	23,589
Facility closure expenses	**27**	34
Operating income	**45,215**	25,834
Interest expense	**19,199**	6,335
Other expense, net	**1,044**	1,199
Income before income taxes	**24,972**	18,300
Income tax expense	**6,880**	4,158
Net income	**18,092**	14,142
Less: Net income (loss) attributable to noncontrolling interests	**(47)**	36
Net income attributable to Multi-Color Corporation	**$ 18,139**	$ 14,106
Weighted average shares and equivalents outstanding:		
Basic	**20,439**	16,943
Diluted	**20,545**	17,152
Basic earnings per common share	**$ 0.89**	$ 0.83
Diluted earnings per common share	**$ 0.88**	$ 0.82
Dividends per common share	**$ 0.05**	$ 0.05

See accompanying Notes to Condensed Consolidated Financial Statements.

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MULTI-COLOR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

(in thousands)

	Three Months Ended	
	June 30, 2018	June 30, 2017
Net income	**$ 18,092**	$ 14,142
Other comprehensive income (loss):		
Unrealized foreign currency translation gain (loss) (1)	**(83,933)**	19,064
Unrealized gain on derivative contracts, net of tax (2)	**16,758**	
Total other comprehensive income (loss)	**(67,175)**	19,064
Comprehensive income (loss)	**(49,083)**	33,206
Less: comprehensive loss attributable to noncontrolling interests	**(1,460)**	(30)
Comprehensive income (loss) attributable to Multi-Color Corporation	**$ (47,623)**	$ 33,236

(1) The amounts for the three months ended June 30, 2018 and 2017 include tax impacts of $2,541 and $(284), respectively, related to the settlement of foreign currency denominated intercompany loans.

(2) Amount is net of tax of $(5,608) for the three months ended June 30, 2018.

See accompanying Notes to Condensed Consolidated Financial Statements.

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MULTI-COLOR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands, except per share data)

	June 30, 2018	March 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 59,878**	$ 67,708
Accounts receivable, net of allowance of $2,945 and $2,704 at June 30, 2018 and March 31, 2018, respectively	**301,184**	306,542
Other receivables	**24,014**	16,589
Inventories, net	**143,682**	167,950
Prepaid expenses	**21,193**	24,926
Other current assets	**44,527**	17,468
Total current assets	**594,478**	601,183
Property, plant and equipment, net of accumulated depreciation of $245,932 and $235,980 at June 30, 2018 and March 31, 2018, respectively	**503,470**	510,002
Goodwill	**1,140,614**	1,196,634
Intangible assets, net	**564,648**	580,233
Other non-current assets	**13,094**	12,097
Deferred income tax assets	**2,739**	2,827
Total assets	**$ 2,819,043**	$ 2,902,976
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	**$ 22,771**	$ 20,864
Accounts payable	**185,341**	192,341
Accrued expenses and other liabilities	**93,820**	114,022
Total current liabilities	**301,932**	327,227
Long-term debt	**1,581,974**	1,577,821
Deferred income tax liabilities	**152,544**	149,950
Other liabilities	**68,028**	87,605
Total liabilities	**2,104,478**	2,142,603
Commitments and contingencies		
Stockholders equity:		
Preferred stock, no par value, 1,000 shares authorized, no shares outstanding		
Common stock, no par value, stated value of $0.10 per share; 40,000 shares authorized, 20,804 and 20,753 shares issued at June 30, 2018 and March 31,	**1,406**	1,403

2018, respectively				
Paid-in capital		**403,984**		402,252
Treasury stock, 309 and 307 shares at cost at June 30, 2018 and March 31, 2018, respectively		**(11,655)**		(11,528)
Retained earnings		**404,477**		384,671
Accumulated other comprehensive loss		**(85,003)**		(19,241)
Total stockholders equity attributable to Multi-Color Corporation		**713,209**		757,557
Noncontrolling interests		**1,356**		2,816
Total stockholders equity		**714,565**		760,373
Total liabilities and stockholders equity	**$**	**2,819,043**	$	2,902,976

See accompanying Notes to Condensed Consolidated Financial Statements.

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MULTI-COLOR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

(unaudited)

(in thousands)

	Common Stock					Accumulated Other		
	Shares Issued	Amount	Paid-In Capital	Treasury Stock	Retained Earnings	Comprehensive Loss	Noncontrolling Interests	Total
March 31, 2018	20,753	$ 1,403	$ 402,252	$ (11,528)	$ 384,671	$ (19,241)	$ 2,816	$ 760,373
Net income					**18,139**		**(47)**	**18,092**
Topic 606 transition adjustment					**2,701**			**2,701**
Other comprehensive income						**(65,762)**	**(1,413)**	**(67,175)**
Issuance of common stock	**27**	**3**	**598**					**601**
Restricted stock grant	**12**							
Conversion of restricted share units	**12**							
Stock-based compensation			**1,134**					**1,134**
Shares acquired under employee plans				**(127)**				**(127)**
Common stock dividends					**(1,034)**			**(1,034)**
June 30, 2018	**20,804**	**$ 1,406**	**$ 403,984**	**$ (11,655)**	**$ 404,477**	**$ (85,003)**	**$ 1,356**	**$ 714,565**

See accompanying Notes to Condensed Consolidated Financial Statements.

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MULTI-COLOR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Three Months Ended	
	June 30, 2018	June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	**$ 18,092**	$ 14,142
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**17,902**	8,492
Amortization of intangible assets	**10,410**	3,604
Amortization of deferred financing costs	**1,275**	404
Net (gain)/loss on disposal of property, plant and equipment	**(754)**	223
Net (gain) on derivative contracts	**(243)**	
Stock-based compensation expense	**1,134**	910
Deferred income taxes, net	**(58)**	191
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	**(9,234)**	239
Inventories	**(3,592)**	(5,053)
Prepaid expenses and other assets	**(6,652)**	3,049
Accounts payable	**11,279**	(4,092)
Accrued expenses and other liabilities	**(15,831)**	(6,964)
Net cash provided by operating activities	**23,728**	15,145
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	**(33,955)**	(10,272)
Proceeds from sale of property, plant and equipment	**1,138**	195
Net cash used in investing activities	**(32,817)**	(10,077)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under revolving lines of credit	**120,135**	58,539
Payments under revolving lines of credit	**(108,303)**	(63,279)
Repayment of long-term debt	**(4,169)**	(706)
Payment of acquisition related deferred payments	**(964)**	
Proceeds from issuance of common stock	**475**	1,080
Dividends paid	**(1,022)**	(1,126)
Net cash provided by/(used in) financing activities	**6,152**	(5,492)
Effect of foreign exchange rate changes on cash	**(4,893)**	1,086

Net increase/(decrease) in cash and cash equivalents		**(7,830)**		662
Cash and cash equivalents, beginning of period		**67,708**		25,229
Cash and cash equivalents, end of period	**$**	**59,878**	$	25,891

See accompanying Notes to Condensed Consolidated Financial Statements.

See Note 15 for supplemental cash flow disclosures.

MULTI-COLOR CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

(in thousands, except for statistical and per share data)

1. Description of Business and Significant Accounting Policies

The Company

Multi-Color Corporation (Multi-Color, MCC, we, us, our or the Company), headquartered near Cincinnati, Ohio, is a leader in global label solutions supporting a number of the world s most prominent brands including leading producers of home & personal care, wine & spirits, food & beverage, healthcare and specialty consumer products. MCC serves international brand owners in the North American, Latin American, EMEA (Europe, Middle East and Africa) and Asia Pacific regions with a comprehensive range of the latest label technologies in Pressure Sensitive, Cut and Stack, In-Mold, Shrink Sleeve, Heat Transfer, Roll Fed, and Aluminum Labels.

Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Although certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations, the Company believes that the disclosures are adequate to make the information presented not misleading. A description of the Company s significant accounting policies is included in the Company s Annual Report on Form 10-K for the year ended March 31, 2018 (the 2018 10-K). These condensed consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the 2018 10-K.

The information furnished in these condensed consolidated financial statements reflects all estimates and adjustments which are, in the opinion of management, necessary to present fairly the results for the interim periods reported.

The condensed consolidated financial statements include the accounts of the Company and its controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated. Certain prior period balances have been reclassified to conform to current year classifications.

Use of Estimates in Financial Statements

In preparing financial statements in conformity with U.S. GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and 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 from those estimates.

New Accounting Pronouncements

In the first quarter of fiscal 2019, we adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606) and all related amendments, which provides revised guidance for revenue recognition. We adopted this guidance using the

modified retrospective transition method, which means that periods beginning in fiscal 2019 are reported under this guidance while prior periods continue to be reported under previous guidance. See Note 2.

In February 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Topic 220), which permits the reclassification of stranded tax effects resulting from the Tax Cuts and Jobs Act (the Tax Act) from accumulated other comprehensive income (AOCI) to retained earnings. This new guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, which for the Company is the fiscal year beginning April 1, 2019. Early adoption is permitted, and the update must be applied either at the beginning of the period of adoption or retrospectively to each period in which the effects of the Tax Act related to items remaining in AOCI are recognized. The Company is currently evaluating the impact of this update on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other, which simplifies the accounting for goodwill impairment. This update removes step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Goodwill impairment will now be the amount by which a reporting unit s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This update is effective for any annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019, which for the Company is any annual or interim goodwill impairment tests performed after April 1, 2020. Early adoption is permitted for any impairment tests performed after January 1, 2017. The Company is currently evaluating the impact of this update on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations, which revises the definition of a business. The FASB s new framework assists entities in evaluating whether a set (integrated set of assets and activities) should be accounted for as an acquisition of a business or a group of assets. The framework adds an initial screen to determine if substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If that screen is met, the set is not a business. This update was effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, which for the Company was the fiscal year beginning April 1, 2018. The Company adopted this update effective April 1, 2018, and its adoption did not have an impact on the Company s consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The specific issues addressed include debt prepayment or debt extinguishment costs, contingent consideration payments made after a business combination and separately identifiable cash flows and application of the predominance principle. This update was effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, which for the Company was the fiscal year beginning April 1, 2018. The amendments in this update should be applied using a retrospective transition method to each period presented. The Company adopted this update effective April 1, 2018, and its adoption did not have an impact on the Company s consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases, which requires that lessees recognize almost all leases on the balance sheet as right-of-use assets and lease liabilities. For income statement purposes, leases will be classified as either finance leases or operating leases. This update is effective for annual periods beginning after December 15, 2018, including interim periods within those fiscal years, which for the Company is the fiscal year beginning April 1, 2019. The Company is currently evaluating the impact of this standard on its consolidated financial statements, which will include an increase in both assets and liabilities relating to its leasing activities.

No other new accounting pronouncement issued or effective during the three months ended June 30, 2018 had or is expected to have a material impact on the condensed consolidated financial statements.

Supply Chain Financing

The Company has entered into supply chain financing agreements with certain customers and factoring arrangements with certain banks. The receivables for the agreements are sold without recourse to the customers banks and are accounted for as sales of accounts receivable. Losses on the sale of these receivables are included in selling, general and administrative expenses in the condensed consolidated statements of income, and losses of $510 and $235 were recorded for the three months ended June 30, 2018 and 2017, respectively.

2. Revenue Recognition

On April 1, 2018, we adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606) and all related amendments, which provides revised guidance for revenue recognition. The standard s core principle is that an entity should recognize the revenue for transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The standard defines a five-step process to recognize revenue and requires more judgment and estimates within the revenue recognition process than required under previous U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation.

We adopted the standard by applying the modified retrospective method to all contracts that were not completed as of the adoption date. The aggregate effect of any modifications to those contracts was reflected in identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the price to the satisfied and unsatisfied performance obligations as of the adoption date. Accordingly, the comparative statement of income and comparative balance sheet have not been restated.

Adjustments due to ASU 2014-09 were as follows:

	Balance at March 31, 2018	Adjustments	Balance at April 1, 2018
Assets:			
Accounts receivable, net	$ 306,542	$ 253	$ 306,795
Inventories, net	167,950	(18,286)	149,664
Other current assets	17,468	21,657	39,125
Liabilities and Stockholders Equity:			
Accrued expenses and other liabilities	$ 114,022	$ (215)	$ 113,807
Deferred income tax liabilities	149,950	1,125	151,075
Accumulated other comprehensive loss	(19,241)	13	(19,228)
Retained earnings	384,671	2,701	387,372

Revenue is generated through the sale of products created to meet the packaging needs of our customers, culminating in a single performance obligation to produce labels with no alternate use, and revenue is recorded in an amount that reflects the net consideration that we expect to receive. Prices for our products are based on agreed upon rates with customers and do not include financing components or noncash consideration. The amount of consideration we receive and revenue we recognize is variable for certain customers and is impacted by incentives, including rebates, which are generally tied to achievement of certain sales volume levels.

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We recognize revenue when obligations under the terms of a contract with our customer are satisfied, in an amount that reflects the consideration we expect to receive in exchange for the product. Depending on the terms of the agreement with the customer, we recognize revenue either at a point-in-time (at shipment or delivery depending on agreed upon terms) or over-time when the Company has an enforceable right to payment for performance completed to date.

We believe the costs incurred method is the best method to recognize our over-time revenue as costs incurred are proportionate to progress achieved in satisfying our performance obligations.

The Company also has bill and hold arrangements with certain customers. For these arrangements, control over the product occurs when the product is ready for physical transfer to the customer, as we have a present right to payment, the customer can direct the use of the product (i.e., request shipment to its facility), and legal title has passed to the customer. Revenue is recognized at the time the product is produced and we have transferred control to the customer.

Payment terms typically range from 30-90 days, based upon agreed upon terms with the customer.

Taxes assessed by a governmental authority that we collect from our customers that are both imposed on and concurrent with our revenue producing activities (such as sales tax, value-added tax, and excise taxes) are excluded from revenue. Shipping and handling costs incurred after control of the product is transferred to our customers are treated as fulfillment costs and not a separate performance obligation.

MCC records contract assets when revenue is recognized but we have not yet invoiced the customer. This occurs when costs are incurred for the production of labels for over-time customers but the associated revenues have not been billed to the customer or when prepress costs related to fulfillment and completion of labels are incurred but the associated revenues for those labels have not been billed to the customer. Contract liabilities are recorded for expected shipping and handling charges for revenue recognized from over-time customers and billings to customers for prepress items to be utilized in the fulfilment and completion of labels that have not yet been fully utilized in the production process.

	Balance sheet location	**June 30, 2018**	April 1, 2018
Contract assets	Other current assets	**$ 32,948**	$ 31,001
Contract liabilities	Accrued expenses and other liabilities	**(8,112)**	(7,442)
Net contract assets and liabilities		**$ 24,836**	$ 23,559

MCC recognized revenues of $4,445 during the three months ended June 30, 2018 that were included in contract liabilities as of March 31, 2018 and fully expects the $8,112 of contract liabilities as of June 30, 2018 to be recognized as revenue within six months.

We elected the practical expedient to disregard the possible existence of a significant financing component related to payment on contracts as part of the adoption of ASU 2014-09, as we expect that customers will pay for the products within one year. Additionally, as all contracts are expected to have an original duration of one year or less, we elected the practical expedient to exclude disclosure of information regarding the aggregate amount and future timing of performance obligations that are unsatisfied or partially satisfied as of the end of the reporting period.

The following table summarizes the June 30, 2018 condensed consolidated statement of income and condensed consolidated balance sheet as if ASU 2014-09 had not been adopted and the adjustment required upon adoption of ASU 2014-09.

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	Three Months Ended June 30, 2018		
	As Reported	Adjustments	Previous Standard
Condensed Consolidated Statement of Income:			
Net revenues	$ 456,131	$ (958)	$ 455,173
Cost of revenues	368,121	(776)	367,345
Gross profit	88,010	(182)	87,828
Selling, general and administrative expenses	42,768	(19)	42,749
Operating income	45,215	(163)	45,052
Income tax expense	6,880	(41)	6,839
Net income	18,092	(122)	17,970

	As of June 30, 2018		
	As Reported	Adjustments	Previous Standard
Condensed Consolidated Balance Sheet:			
Assets:			
Accounts receivable, net	$ 301,184	$ (293)	$ 300,891
Inventories, net	143,682	19,051	162,733
Other current assets	44,527	(22,470)	22,057
Liabilities and Stockholders Equity:			
Accrued expenses and other liabilities	$ 93,820	$ 287	$ 94,107
Deferred income tax liabilities	152,544	(1,166)	151,378
Accumulated other comprehensive loss	(85,003)	(10)	(85,013)
Retained earnings	404,477	(2,823)	401,654

The following table presents our net revenues disaggregated by region and timing of revenue recognition for the three months ended June 30, 2018.

	June 30, 2018	
	Point-in-time	Over-time
North America	$ 148,764	$ 58,065
Europe	180,275	1,053
Asia Pacific and Africa	60,832	735
South America	6,407	
Total	$ 396,278	$ 59,853

3. Earnings Per Common Share

Basic earnings per common share (EPS) is computed by dividing net income attributable to Multi-Color Corporation by the weighted average number of common shares outstanding during the period. Diluted EPS is computed by dividing net income attributable to Multi-Color Corporation by the sum of the weighted average number of common shares outstanding during the period plus, if dilutive, potential common shares outstanding during the period. Potential common shares outstanding during the period consist of restricted shares, restricted share units, and the incremental

common shares issuable upon the exercise of stock options and are reflected in diluted EPS by application of the treasury stock method.

The following is a reconciliation of the number of shares used in the basic EPS and diluted EPS computations:

	Three Months Ended			
	June 30, 2018		June 30, 2017	
	Shares	**Per Share Amount**	Shares	Per Share Amount
Basic EPS	**20,439**	**$ 0.89**	16,943	$ 0.83
Effect of dilutive securities	**106**	**(0.01)**	209	(0.01)
Diluted EPS	**20,545**	**$ 0.88**	17,152	$ 0.82

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The Company excluded 279 and 21 options to purchase shares in the three months ended June 30, 2018 and 2017, respectively, from the computation of diluted EPS because these shares would have an anti-dilutive effect.

4. Inventories

The Company s inventories consisted of the following:

	June 30, 2018	March 31, 2018
Finished goods	**$ 58,501**	$ 80,845
Work-in-process	**20,853**	21,156
Raw materials	**64,328**	65,949
Total inventories, net	**$ 143,682**	$ 167,950

5. Debt

The components of the Company s debt consisted of the following:

	June 30, 2018			March 31, 2018		
	Principal	**Unamortized Debt Issuance Costs**	**Debt Less Unamortized Debt Issuance Costs**	Principal	Unamortized Debt Issuance Costs	Debt Less Unamortized Debt Issuance Costs
6.125% Senior Notes (1)	**$ 250,000**	**$ (2,979)**	**$ 247,021**	$ 250,000	$ (3,148)	$ 246,852
4.875% Senior Notes (1)	**600,000**	**(9,379)**	**590,621**	600,000	(9,699)	590,301
New Credit Agreement						
Term Loan A Facility (2)	**146,250**	**(3,779)**	**142,471**	148,125	(3,996)	144,129
Term Loan B Facility (3)	**497,500**	**(6,041)**	**491,459**	498,750	(6,280)	492,470
U.S. Revolving Credit Facility (4)	**64,380**	**(5,145)**	**59,235**	56,945	(5,442)	51,503
Australian Revolving Sub-Facility (4)	**33,706**	**(572)**	**33,134**	33,033	(605)	32,428
Capital leases	**33,886**		**33,886**	36,288		36,288
Other subsidiary debt	**6,918**		**6,918**	4,714		4,714
Total debt	**1,632,640**	**(27,895)**	**1,604,745**	1,627,855	(29,170)	1,598,685
Less current portion of debt	**(22,771)**		**(22,771)**	(20,864)		(20,864)
Total long-term debt	**$ 1,609,869**	**$ (27,895)**	**$ 1,581,974**	$ 1,606,991	$ (29,170)	$ 1,577,821

(1) The 6.125% Senior Notes are due on December 1, 2022. The 4.875% Senior Notes are due on November 1, 2025.

(2) Under the New Credit Agreement, the Company is required to make mandatory principal payments on the outstanding borrowings under the Term Loan A Facility. The principal payments are due on the last day of March, June, September and December of each year, commencing on March 31, 2018 through the maturity date of October 31, 2022.

(3) Under the New Credit Agreement, the Company is required to make mandatory principal payments on the outstanding borrowings under the Term Loan B Facility. The principal payments are due on the last day of March, June, September and December of each year, commencing on March 31, 2018 through the maturity date of October 31, 2024.

(4) Borrowings under the U.S. Revolving Credit Facility and Australian Revolving Sub-Facility, which were issued under the New Credit Agreement, mature on October 31, 2022.

The carrying value of debt under the New Credit Agreement approximates fair value. The fair value of the Senior Notes is based on observable inputs, including quoted market prices (Level 2). The fair values of the 4.875% Senior Notes and 6.125% Senior Notes were approximately $556,500 and $255,625, respectively, as of June 30, 2018. The fair values of the 4.875% Senior Notes and 6.125% Senior Notes were approximately $564,000 and $258,750, respectively, as of March 31, 2018.

The following is a schedule of future annual principal payments as of June 30, 2018:

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	Debt	Capital Leases	Total
July 2018 - June 2019	$ 18,946	$ 3,825	$ 22,771
July 2019 - June 2020	14,546	3,388	17,934
July 2020 - June 2021	18,268	3,002	21,270
July 2021 - June 2022	23,870	1,855	25,725
July 2022 - June 2023	450,622	1,963	452,585
Thereafter	1,072,502	19,853	1,092,355
Total	$ 1,598,754	$ 33,886	$ 1,632,640

Senior Secured Credit Facility

In conjunction with the Constantia Labels acquisition, effective October 31, 2017 the Company entered into a credit agreement (the New Credit Agreement) with various lenders. The New Credit Agreement replaced the Company s previous credit agreement and consists of (i) a senior secured first lien term loan A facility (the Term Loan A Facility) in an aggregate principal amount of $150,000 with a five year maturity, (ii) a senior secured first lien term loan B facility (the Term Loan B Facility) in an aggregate principal amount of $500,000 with a seven year maturity, and (iii) a senior secured first lien revolving credit facility (the Revolving Credit Facility) in an aggregate principal amount up to $400,000, comprised of a $360,000 U.S. revolving credit facility (the U.S. Revolving Credit Facility) and a $40,000 U.S. Dollar equivalent Australian sub-facility (the Australian Revolving Sub-Facility), each with a five year maturity.

The New Credit Agreement contains customary mandatory and optional prepayment provisions and customary events of default. The New Credit Agreement s Term Loan A Facility, Term Loan B Facility and U.S. Revolving Credit Facility (together, the U.S. facilities) are guaranteed by substantially all of the Company s direct and indirect wholly owned domestic subsidiaries, and such guarantors pledged substantially all their assets as collateral to secure the U.S. facilities. The Australian Revolving Sub-Facility is secured by substantially all of the assets of the Australian borrower and its direct and indirect subsidiaries.

The New Credit Agreement can be used for working capital, capital expenditures and other corporate purposes and to fund permitted acquisitions (as defined in the New Credit Agreement). Loans under the New Credit Agreement bear interest at variable rates plus a margin, based on the Company s consolidated secured net leverage ratio.

The weighted average interest rates on the Company s borrowings are as follows:

	June 30, 2018	March 31, 2018
Term Loan A Facility	**4.09%**	4.13%
Term Loan B Facility	**4.34%**	4.13%
U.S. Revolving Credit Facility	**4.06%**	4.42%
Australian Revolving Sub-Facility	**4.07%**	4.13%

The New Credit Agreement contains customary representations and warranties as well as customary negative and affirmative covenants, which require the Company to maintain the following financial covenants at the end of each quarter: (i) the consolidated secured net leverage ratio as of the last day of any fiscal quarter of the Company shall not exceed 4.50 to 1.00 for the fiscal quarters ended during the period of March 31, 2017 through, and including June 30, 2019 and (ii) the consolidated secured net leverage ratio as of the last day of any fiscal quarter of the Company shall not exceed 4.25 to 1.00 for the fiscal quarters ended during the period of September 30, 2019 and thereafter.

The New Credit Agreement, the indenture governing the 4.875% Senior Notes (the 4.875% Senior Notes Indenture) and the indenture governing the 6.125% Senior Notes (the 6.125% Senior Notes Indenture and together with the 4.875% Senior Notes Indenture, the Indentures) limit the Company s ability to incur additional indebtedness. Additional covenants contained in the New Credit Agreement and the Indentures, among other things, restrict the ability of the Company to dispose of assets, incur guarantee obligations, make restricted payments, create liens, make equity or debt investments, change the business conducted by the Company and its subsidiaries, and engage in certain transactions with affiliates. Under the New Credit Agreement and the Indentures, certain changes in control of the Company could result in the occurrence of an Event of Default. In addition, the New Credit Agreement limits the ability of the Company to modify terms of the Indentures. As of June 30, 2018, the Company was in compliance with the covenants in the New Credit Agreement and the Indentures.

Available borrowings under the U.S. Revolving Credit Facility and Australian Revolving Sub-Facility were $289,418 and $6,294, respectively, at June 30, 2018. The Company also has various other uncommitted lines of credit available at June 30, 2018 in the aggregate amount of $21,888.

4.875% Senior Notes

The $600,000 aggregate principal amount of 4.875% Senior Notes due 2025 (the 4.875% Senior Notes) were issued in October 2017 to fund the acquisition of Constantia Labels. The 4.875% Senior Notes are unsecured senior obligations of the Company. Interest is payable on the 4.875% Senior Notes on May 1st and November 1st of each year beginning May 1, 2018 until the maturity date of November 1, 2025. The Company s obligations under the 4.875% Senior Notes are guaranteed by certain of the Company s existing direct and indirect wholly-owned domestic subsidiaries.

6.125% Senior Notes

The $250,000 aggregate principal amount of 6.125% Senior Notes due 2022 (the 6.125% Senior Notes) were issued in November 2014. The 6.125% Senior Notes are unsecured senior obligations of the Company. Interest is payable on the 6.125% Senior Notes on June 1st and December 1st of each year beginning June 1, 2015 until the maturity date of December 1, 2022. The Company s obligations under the 6.125% Senior Notes are guaranteed by certain of the Company s existing direct and indirect wholly-owned domestic subsidiaries.

Debt Issuance Costs

In conjunction with the issuance of the New Credit Agreement, the Company incurred $16,331 in debt issuance costs, which are being deferred and amortized over the term of the Term A Loan Facility, Term Loan B Facility and Revolving Credit Facility. In conjunction with terminating the Company s prior credit agreement, $660 in unamortized debt issuance costs related to a debt extinguishment were written-off to interest expense during the three months ended December 31, 2017. The remaining unamortized fees under the prior credit agreement related to a debt modification and are being amortized over the term of the Revolving Credit Facility.

The Company incurred $10,338 in debt issuance costs associated with the issuance of the 4.875% Senior Notes, which are being deferred and amortized over the term of the 4.875% Senior Notes.

The Company recorded $1,275 and $404 in interest expense in the three months ended June 30, 2018 and 2017, respectively, in the condensed consolidated statements of income to amortize deferred financing costs.

Capital Leases

The present value of the net minimum payments on the capitalized leases is as follows:

	June 30, 2018	March 31, 2018
Total minimum lease payments	**$ 45,961**	$ 49,521
Less amount representing interest	**(12,075)**	(13,233)
Present value of net minimum lease payments	**33,886**	36,288
Current portion	**(3,825)**	(4,191)
Capitalized lease obligations, less current portion	**$ 30,061**	$ 32,097

The capitalized leases carry interest rates from 0.97% to 12.47% and mature from fiscal 2019 to fiscal 2032.

6. Major Customers

During the three months ended June 30, 2018 and 2017, sales to major customers (those exceeding 10% of the Company s net revenues in one or more of the periods presented) approximated 9% and 17%, respectively, of the Company s consolidated net revenues. All of these sales were made to The Procter & Gamble Company.

In addition, accounts receivable balances from The Procter & Gamble Company approximated 3% of the Company s total accounts receivable balance at June 30, 2018 and March 31, 2018. The loss or substantial reduction of the business of this major customer could have a material adverse impact on the Company s results of operations and cash flows.

7. Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction, various foreign jurisdictions, and various state and local jurisdictions where the statutes of limitations generally range from three to five years. At June 30, 2018, the Company is no longer subject to U.S. federal examinations by tax authorities for years before fiscal 2015. The Company is no longer subject to state and local examinations by tax authorities for years before fiscal 2014. In foreign jurisdictions, the Company is no longer subject to examinations by tax authorities for years before fiscal 1999.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the Tax Act). The Tax Act significantly revises the future ongoing U.S. corporate income tax by, among other things, lowering U.S.

corporate income tax rates and implementing a territorial tax system. As the Company has a March 31 fiscal year-end, a U.S. statutory federal rate of 21% applies to fiscal year beginning April 1, 2018. The Tax Act eliminates the domestic manufacturing deduction and implements certain transitional impacts to the Company.

The changes included in the Tax Act are broad and complex. The final transition impacts of the Tax Act may differ from estimates, possibly materially, due to, among other things, changes in interpretations of the Tax Act, any legislative action to address questions that arise because of the Tax Act, any changes in accounting standards for income taxes or related interpretations in response to the Tax Act, or any updates or changes to estimates the Company has utilized to calculate the transition impacts, including impacts from changes to current year earnings estimates and foreign exchange rates of foreign subsidiaries. The Securities Exchange Commission has issued rules that would allow for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts. The Company made an estimate at March 31, 2018 on the impact of the Tax Act. There were no changes to that provisional estimate during the first quarter ended June 30, 2018.

The benefits of tax positions are not recorded unless it is more likely than not that the tax position would be sustained upon challenge by the appropriate tax authorities. Tax benefits that are more likely than not to be sustained are measured at the largest amount of benefit that is cumulatively greater than a 50% likelihood of being realized.

As of June 30, 2018 and March 31, 2018, the Company had liabilities of $7,296 and $7,038, respectively, recorded for unrecognized tax benefits for U.S. federal, state and foreign tax jurisdictions. During the three months ended June 30, 2018 and 2017, the Company recognized $138 and $(56), respectively, of interest and penalties in income tax expense in the condensed consolidated statements of income. The liability for the gross amount of interest and penalties at June 30, 2018 and March 31, 2018 was $2,868 and $2,641, respectively. The liability for unrecognized tax benefits is classified in other noncurrent liabilities on the condensed consolidated balance sheets for the portion of the liability where payment of cash is not anticipated within one year of the balance sheet date. The Company believes that it is reasonably possible that $4,542 of unrecognized tax benefits as of June 30, 2018 could be released within the next 12 months due to the lapse of statute of limitations and settlements of certain foreign and domestic income tax matters. The unrecognized tax benefits that, if recognized, would favorably impact the effective tax rate are $6,742.

8. Risk Management Activities and Financial Instruments

The Company is exposed to market risks, both directly and indirectly, such as currency fluctuations and interest rate movement. To the extent the Company deems it to be appropriate, derivative instruments and hedging activities are used as a risk management tool to mitigate the potential impact of certain risks, primarily foreign currency exchange risk and interest rate risk.

The Company uses various types of derivative instruments including, but not limited to, forward contracts and swaps. The Company formally assesses, designates, and documents as a hedge of an underlying exposure each qualifying derivative instrument that will be accounted for as an accounting hedge at inception. Additionally, the Company assesses, both at inception and at least quarterly thereafter, whether the financial instruments used in the hedging transactions are effective at offsetting changes in either the fair values or cash flows of the underlying exposures.

Interest Rate Risk Management

The Company uses interest rate swap agreements (the Swaps) to minimize its exposure to interest rate fluctuations on variable rate debt borrowings. Swaps involve the exchange of fixed and variable rate interest payments and do not represent an actual exchange of the underlying notional amounts between the two parties.

In conjunction with entering into the New Credit Agreement (see Note 5), the Company entered into two spot non-amortizing Swaps with a total notional amount of $300,000 to convert variable rate debt to fixed rate debt. These Swaps became effective October 2017, expire in October 2018, and will result in interest payments of 1.5625% plus the applicable margin per the requirements in the New Credit Agreement. The Company also entered into two forward starting non-amortizing Swaps with a total notional amount of $300,000 to convert variable rate debt to fixed rate debt. These Swaps will become effective in October 2018, will expire in October 2022, and will result in interest payments of 2.1345% plus the applicable margin per the requirements in the New Credit Agreement.

Upon inception, the Swaps were designated as cash flow hedges under ASU 2017-12, with gains and losses, net of tax, measured on an ongoing basis, recorded in accumulated other comprehensive income (loss) (AOCI).

Foreign Currency Risk Management

Foreign currency exchange risk arises from our international operations as well as from transactions with customers or suppliers denominated in currencies other than the U.S. Dollar. The functional currency of each of the Company s subsidiaries is generally the currency of the country in which the subsidiary operates or the U.S. Dollar. At times, the Company uses foreign currency forward contracts to minimize the impact of fluctuations in currency exchange rates.

The Company periodically enters into foreign currency forward contracts to fix the purchase price of foreign currency denominated firm commitments. In addition, the Company periodically enters into short-term foreign currency forward contracts to fix the U.S. Dollar value of certain intercompany loan payments, which typically settle in the following quarter. During the three months ended June 30, 2018 and

2017, certain of the Company s forward contracts were not designated as hedging instruments; therefore, changes in the fair value of the contracts were immediately recognized in other income and expense in the consolidated statements of income.

The Company periodically enters into foreign exchange forward contracts to fix the purchase price in U.S. Dollars of a foreign currency denominated firm commitment to purchase presses. Certain of these forward contracts are designated as fair value hedges and changes in the fair value of the contracts are recorded in other income and expense in the consolidated statements of income in the same period during which the related hedged items affect the consolidated statements of income.

In June 2018, the Company entered into foreign exchange forward contracts to fix the purchase price in U.S. Dollars of foreign currency denominated firm commitments to purchase various raw materials. These forward contracts are designated as cash flow hedges with gains and losses, net of tax, measured on an ongoing basis, recorded in AOCI.

Net Investment Hedging

In September 2017, as a means of managing foreign currency risk related to our significant operations in Europe, the Company executed four fixed-for-fixed cross currency swaps, in which the Company will pay Euros and receive U.S. Dollars with a combined notional amount of 400,000, which mature in November 2025. This will effectively convert U.S. Dollar denominated debt to Euro denominated debt. The Company designated 205,000 of swap notional as a net investment hedge of the Company s net investment in our European operations under ASU 2017-12 and applied the spot method to these hedges. Changes in fair value of the derivative instruments that are designated and qualify as hedges of net investments in foreign operations are recognized in AOCI to offset changes in the values of the net investments being hedged.

The remaining 195,000 of swap notional was not designated as an accounting hedge in September 2017. Therefore, changes in fair value of the derivative instruments were recognized in other income and expense in the consolidated statements of income. In November 2017, the Company formally designated the remaining 195,000 of swap notional as a net investment hedge under ASU 2017-12, bringing the total designated notional value to 400,000. Effective November 1, 2017, hedge accounting was applied to the newly designated swap notional of 195,000.

Disclosures about Derivative Instruments

All of the Company s derivative assets and liabilities measured at fair value are classified as Level 2 within the fair value hierarchy. The Company determines the fair values of its derivatives based on valuation models which project future cash flows and discount the future amounts to a present value using market based observable inputs including interest rate curves, foreign currency rates, futures and basis point spreads, as applicable. The fair values of qualifying and non-qualifying instruments used in hedging transactions as of June 30, 2018 are as follows:

		Fair Value	
Derivatives Designated as Hedging Instruments	Balance Sheet Location	**June 30, 2018**	March 31, 2018
Assets:			
Cross currency swaps (Net investment hedges)	Other current assets	**$ 6,713**	$ 4,295
Interest rate swaps (Cash flow hedges)	Other current assets	**1,213**	920
Foreign exchange forward contracts (Fair value hedges)	Other current assets	**53**	127

Foreign exchange forward contracts (Cash flow hedges)	Other current assets	**215**	
Interest rate swaps (Cash flow hedges)	Other long-term assets	**6,327**	4,956
Liabilities:			
Interest rate swaps (Cash flow hedges)	Other current liabilities	**$ 25**	$
Foreign exchange forward contracts (Fair value hedges)	Other current liabilities	**198**	190
Foreign exchange forward contracts (Cash flow hedges)	Other current liabilities	**330**	
Cross currency swaps (Net investment hedges)	Other long-term liabilities	**31,352**	50,019

		Fair Value	
Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	**June 30, 2018**	March 31, 2018
Assets:			
Foreign exchange forward contracts	Other current assets	**$ 239**	$
Liabilities:			
Foreign exchange forward contracts	Other current liabilities	**19**	127

The amounts of gains and (losses) recognized in AOCI net of reclassifications into earnings, during the three months ended June 30, 2018 and 2017 are as follows:

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Derivatives Designated as Hedging Instruments	June 30, 2018	June 30,2017
Cross currency swaps (Net investment hedges) (1)	$ 15,643	$
Interest rate swaps	1,230	
Foreign exchange forward contracts	(115)	

(1) The net gain of $15,643 recognized in OCI on the cross currency swaps in a net investment hedge as of June 30, 2018 is comprised of an excluded component gain of $11,769 and an undiscounted spot gain of $9,073 net of tax of $(5,199).

The amounts of gains reclassified from AOCI into earnings for the three months ended June 30, 2018 and 2017 are as follows:

Derivatives Designated as Hedging Instruments	June 30, 2018	June 30, 2017
Cross currency swaps (1)	$ 2,325	$
Interest rate swaps (2)	271	

(1) The Company had a $2,325 excluded component gain in AOCI which was recognized into income during the three months ended June 30, 2018.

(2) During the next 12 months, $1,196 of gains included in the June 30, 2018 AOCI balance are expected to be reclassified into interest expense.

The amounts of gains and (losses) included in earnings from qualifying and non-qualifying financial instruments used in hedging transactions for the three months ended June 30, 2018 and 2017 are as follows:

Derivatives Not Designated as Hedging Instruments	Statement of Income Location	June 30, 2018	June 30, 2017
Foreign currency contracts-Other	Other income (expense), net	$ 5,033	$ 367
Gain (loss) on underlying hedged items	Other income (expense), net	(4,963)	(367)
Cross currency swaps	Interest expense	243	

Derivatives Designated as Hedging Instruments	Statement of Income Location	June 30, 2018	June 30, 2017
Foreign exchange forward contracts (Fair value hedges)	Other income (expense), net	$ 167	$
Gain (loss) on underlying hedged items	Other income (expense), net	(167)	

9. Accrued Expenses and Other Liabilities

The Company s accrued expenses and other liabilities consisted of the following:

	June 30, 2018	March 31, 2018
Accrued payroll and benefits	$ 41,250	$ 45,418

Accrued income taxes	**8,810**	13,838
Professional fees	**1,554**	1,965
Accrued taxes other than income taxes	**4,313**	4,682
Accrued interest	**5,087**	16,480
Customer rebates	**3,038**	2,578
Exit and disposal costs related to facility closures	**50**	457
Deferred payments	**8,524**	9,735
Deferred revenue	**11,701**	11,887
Derivative liabilities	**572**	317
Other	**8,921**	6,665
Total accrued expenses and other liabilities	**$ 93,820**	$ 114,022

10. Acquisitions

Constantia Labels Summary

On October 31, 2017, the Company completed its acquisition pursuant to the Sale and Purchase Agreement (as amended) with Constantia Flexibles Germany GmbH, Constantia Flexibles International GmbH, Constantia Flexibles Group GmbH and GPC Holdings B.V. (collectively, Constantia Flexibles), acquiring 100% of the Labels Division of Constantia Flexibles (Constantia Labels). Constantia Labels, headquartered in Vienna, Austria, is a leader in label solutions serving the food, beverage and consumer packaging goods industries. Constantia Labels has approximately 2,800 employees globally and 24 production plants across 14 countries, with major operations across Europe, Asia and North America. The acquisition included a 75% controlling interest in certain label operations in South Africa.

The Company believes the combination of Constantia Labels food & beverage business with Multi-Color s existing platforms, particularly in home & personal care and wine & spirits and emerging position in healthcare, will create a company with significant scale and geographic, end-market, customer and product diversification and additional growth opportunities. The results of Constantia Labels operations were included in the Company s consolidated financial statements beginning on October 31, 2017.

The purchase price for Constantia Labels consisted of the following:

Cash from proceeds of borrowings	$ 1,048,656
MCC common stock issued	237,820
Deferred payments	3,901
Contingent consideration	9,026
Purchase price, before cash acquired	1,299,403
Net cash acquired	(16,115)
Total purchase price	$ 1,283,288

The Company issued 3,383 shares of its common stock to Constantia Flexibles as part of the consideration for the purchase of Constantia Labels. The Sale and Purchase Agreement provides for restrictions on the transfer of the shares issued to Constantia Flexibles and certain registration rights with respect to the shares. The fair value of the shares issued of $237,820 was calculated using the Company share price of $82.70, which was the closing price on October 31, 2017, discounted to reflect the temporary lack of liquidity.

The cash portion of the purchase price was funded through the 4.875% Senior Notes due 2025 and funds from the New Credit Agreement (see Note 5). The purchase price included deferred payments with a total fair value of $3,901, estimated as of the acquisition date, of which $807 was paid during the three months ended June 30, 2018 with the remaining to be paid out within 90 days after December 31, 2018, 2019 and 2020. In addition, the purchase price includes future performance based earnouts with a total fair value of $9,026, estimated as of the acquisition date. The future value of the earnouts is dependent upon whether the Verstraete in Mould Labels N.V. (Verstraete) business, which was acquired in conjunction with the Constantia Labels acquisition, meets or exceeds certain agreed upon EBITA (earnings before interest, taxes, and amortization) metrics over the three to five year period following the acquisition. The earnouts have a minimum future payout of zero, and the maximum amount of the future payout is based on the amount of EBITA growth achieved relative to calendar 2017. The earnouts may be paid out within 90 days after December 31, 2020, 2021 or 2022. Net cash acquired includes $49,647 of cash acquired less $33,532 of assumed bank debt and capital leases. The Company spent $17,484 in acquisition expenses related to the Constantia Labels acquisition. These expenses were recorded in selling, general and administrative expenses in the condensed consolidated statements of income as follows: $18 in the third quarter of fiscal 2017, $744 in the first quarter of fiscal

2018, $3,545 in the second quarter of fiscal 2018, $11,299 in the third quarter of fiscal 2018, $632 in the fourth quarter of fiscal 2018 and $1,246 in the first quarter of fiscal 2019.

Purchase Price Allocation and Other Items

The determination of the purchase price allocation to specific assets acquired and liabilities assumed is incomplete for Constantia Labels. The purchase price allocation may change in future periods as the fair value estimates of assets and liabilities (including, but not limited to, accounts receivable, inventory, property, plant and equipment, intangibles, accounts payable, accrued liabilities, debt and non-controlling interests) and the valuation of the related tax assets and liabilities are completed. Based on fair value estimates, the purchase price for Constantia Labels has been allocated to individual assets acquired and liabilities assumed as follows:

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		Constantia Labels
Assets Acquired:		
Net cash acquired	$	16,115
Accounts receivable		118,020
Inventories		84,811
Property, plant and equipment		216,721
Intangible assets		410,000
Goodwill		707,624
Other assets		16,949
Total assets acquired		1,570,240
Liabilities Assumed:		
Accounts payable		93,860
Accrued income taxes payable		7,975
Accrued expenses and other liabilities		39,375
Deferred tax liabilities		128,527
Total liabilities assumed		269,737
Net assets acquired		1,300,503
Noncontrolling interests		(1,100)
Net assets acquired attributable to Multi-Color Corporation	$	1,299,403

The liabilities assumed in the Constantia Labels acquisition included a contingent liability of $9,671, estimated as of the acquisition date based on the Company s best estimate. The contingent liability, payable to the pre-Constantia Flexibles owners of the respective entities, was based on future earnings of certain entities acquired. In the fourth quarter of fiscal 2018, $7,523 of the contingent liability was paid. The remaining contingent liability may be paid no later than December 31, 2020.

The fair value of the noncontrolling interests for Constantia Labels was estimated based on market valuations performed by an independent third party using a combination of: (i) an income approach based on expected future discounted cash flows; and (ii) an asset approach.

During the first quarter of fiscal 2019, goodwill increased by $291 related to measurement period adjustments for the Constantia Labels acquisition. The measurement period adjustments primarily consisted of a $2,538 and $261 increase in the valuation of other assets and accrued expenses, respectively, offset by a $2,507 and $151 decrease in the valuation of inventory and property, plant and equipment, respectively.

The estimated fair value of identifiable intangible assets acquired and their estimated useful lives are as follows:

	Constantia Labels	
	Fair Value	Useful Lives
Customer relationships	$ 390,000	19 years
Technology	20,000	4 years
Total identifiable intangible assets	$ 410,000	

Identifiable intangible assets are amortized over their useful lives based upon a number of assumptions including the estimated period of economic benefit and utilization. The weighted-average amortization period for identifiable intangible assets acquired in the Constantia Labels acquisition is 18 years.

The goodwill for Constantia Labels is attributable to combining Constantia Labels food & beverage business with Multi-Color s existing platforms, particularly in home & personal care and wine & spirits and emerging position in healthcare, thereby creating additional growth opportunities for both businesses utilizing the expanded global footprint and the acquired workforce. Goodwill arising from the Constantia Labels acquisition is not deductible for income tax purposes.

The accounts receivable acquired as part of the Constantia Labels acquisition had a fair value of $118,020 at the acquisition date. The gross contractual value of the receivables prior to any adjustments was $119,883 and the estimated contractual cash flows that are not expected to be collected are $1,863.

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Pro Forma Information

The following table provides the unaudited pro forma results of operations for the three months ended June 30, 2017 as if Constantia Labels had been acquired as of the beginning of fiscal year 2018. However, pro forma results do not include any anticipated synergies from the combination of the companies, and accordingly, are not necessarily indicative of the results that would have occurred if the acquisition had occurred on the dates indicated or that may result in the future.

	Three Months Ended June 30, 2017
Net revenues	$ 422,767
Net income attributable to Multi-Color	20,399
Diluted earnings per share	0.99

The following is a reconciliation of actual net revenues and net income attributable to Multi-Color Corporation to unaudited pro forma net revenues and net income:

	Three Months Ended June 30, 2017	
	Net revenues	Net income attributable to Multi-Color
Multi-Color Corporation actual results	$ 242,440	$ 14,106
Constantia Labels actual results (1)	180,327	15,883
Pro forma adjustments		(9,590)
Pro forma results	$ 422,767	$ 20,399

(1) Constantia Labels actual results include the three months pre-acquisition in fiscal 2018.

The following table identifies the unaudited pro forma adjustments:

	Three Months Ended June 30, 2017
Constantia Labels financing costs	$ 4,193
Acquisition transaction costs	744
Incremental depreciation and amortization costs	(6,382)
Incremental interest costs	(12,454)
Tax effect of adjustments	4,309
Pro forma adjustments	$ (9,590)

Other Acquisition Activity

On October 11, 2017, the Company acquired 100% of TP Label Limited, the labels business of Tanzania Printers Limited (Tanzania Printers), and TP Kenya Limited (collectively, TP Label), which is located in Dar es Salaam, Tanzania with a sales and distribution center located in Nairobi, Kenya, for $15,929 less net cash acquired of $397. The purchase price included $9,557, which was retained by MCC at closing and was used to repay the indebtedness of TP Label Limited and Tanzania Printers during the three months ended March 31, 2018. The purchase price also included an indemnification holdback of $1,593 to fund certain potential obligations of the sellers with respect to the transaction, which is deferred for one year after the closing date. TP Label is primarily a pressure sensitive and cut and stack label business, serving customers in the food and beverage market.

On August 3, 2017, the Company acquired 100% of GEWA Etiketten GmbH (GEWA), including the remaining 2.4% of the common shares of GIP (see below), for $21,846 plus net debt assumed of $5,228. Upon closing, $2,185 of the purchase price was deposited into an escrow account and is to be released to the seller on the 18-month anniversary of the closing date in accordance with the purchase agreement. The escrow amount is to fund certain potential indemnification obligations of the seller with respect to the transaction. GEWA is located in Bingen am Rhein, Germany and specializes in producing pressure sensitive labels for the wine and spirits market.

The determination of the final purchase price allocation to specific assets acquired and liabilities assumed is incomplete for TP Label and GEWA. The purchase price allocations may change in future periods as the fair value estimates of assets and liabilities (including, but not limited to, accounts receivable, inventory, property, plant and equipment, intangibles and debt) and the valuation of the related tax assets and liabilities are completed.

On January 3, 2017, the Company acquired 100% of Graphix Labels and Packaging Pty Ltd. (Graphix) for $17,261. The purchase price included $1,631 that is deferred for two years after the closing date. Graphix is located in Melbourne, Victoria, Australia and specializes in producing labels for both the food & beverage and wine & spirits markets.

In January 2017, the Company acquired an additional 67.6% of the common shares of GIP for $2,084 plus net debt assumed of $862. The purchase price included a deferred payment of $208 that was paid during the three months ended March 31, 2018. The Company acquired 30% of GIP as part of the Barat acquisition in fiscal 2016. Immediately prior to obtaining a controlling interest in GIP, the Company recognized a gain of $690 as a result of re-measuring our equity interest to its fair value of $771 based on the most recent share activity. In August 2017, the Company acquired the remaining 2.4% of the common shares of GIP in conjunction with the GEWA acquisition (see above). GIP is located in the Bordeaux region of France and specializes in producing labels for the wine & spirits market.

On July 6, 2016, the Company acquired 100% of Industria Litografica Alessandrina S.r.l. (I.L.A.) for $6,301 plus net debt assumed of $3,547. The purchase price included $819 that is deferred for three years after the closing date. I.L.A. is located in the Piedmont region of Italy and specializes in production of premium self-adhesive and wet glue labels primarily for the wine & spirits market and also services the food industry.

On July 1, 2016, the Company acquired 100% of Italstereo Resin Labels S.r.l. (Italstereo) for $3,342 less net cash acquired of $181. The purchase price included a deferred payment of $201 that was paid in the three months ended September 30, 2017 and a deferred payment of $133 that is due two years after the closing date. Italstereo is located near Lucca, Italy and specializes in producing pressure sensitive adhesive resin coated labels, seals and emblems.

The results of operations of the acquisitions described above within this Other Acquisition Activity section have been included in the condensed consolidated financial statements since the respective dates of acquisition and have been determined to be immaterial for purposes of additional disclosure.

Sale of Southeast Asian durables business

On July 3, 2017, the Company sold its 60% controlling interest in its Southeast Asian durables business to its minority shareholders for $3,620 in net cash proceeds. The Company recognized a loss of $512 on the sale of the business, which was recognized in other expense in the consolidated statements of income.

11. Accumulated Other Comprehensive Loss

The changes in the Company s accumulated other comprehensive loss by component consisted of the following:

	Foreign currency items	Gains and (losses) on derivative contracts	Defined benefit pension items	Total

Balance at March 31, 2018	$ 6,335	$ (25,408)	$ (168)	$ (19,241)
OCI before reclassifications	**(82,520)**	**18,706**		**(63,814)**
Amounts reclassified from AOCI		**(1,948)**		**(1,948)**
Net current period OCI	**(82,520)**	**16,758**		**(65,762)**
Balance at June 30, 2018	**$ (76,185)**	**$ (8,650)**	**$ (168)**	**$ (85,003)**

Reclassifications out of accumulated other comprehensive loss consisted of the following:

	Three Months Ended **June 30, 2018**
Cross currency swaps (1)	**$ (2,325)**
Interest rate swaps (1)	**(271)**
Tax	**648**
Net of tax	**$ (1,948)**

(1) Reclassified from AOCI into interest expense in the condensed consolidated statements of income. See Note 8.

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12. Goodwill and Intangible Assets

The changes in the Company s goodwill consisted of the following:

Balance at March 31, 2018:	
Goodwill, gross	$ 1,210,179
Accumulated impairment losses	(13,545)
Goodwill, net	1,196,634
Activity during the year:	
Adjustments to prior year acquisitions	**(291)**
Currency translation	**(55,729)**
Balance at June 30, 2018:	
Goodwill, gross	**1,153,120**
Accumulated impairment losses	**(12,506)**
Goodwill, net	**$ 1,140,614**

The Company s intangible assets consisted of the following:

	June 30, 2018			March 31, 2018		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	**$ 640,921**	**$ (94,387)**	**$ 546,534**	$ 648,273	$ (87,560)	$ 560,713
Technologies	**21,656**	**(4,794)**	**16,862**	21,721	(3,586)	18,135
Trademarks	**138**	**(115)**	**23**	99	(66)	33
Non-compete agreements	**3,854**	**(2,625)**	**1,229**	3,880	(2,528)	1,352
Total	**$ 666,569**	**$ (101,921)**	**$ 564,648**	$ 673,973	$ (93,740)	$ 580,233

The amortization expense of intangible assets for the three months ended June 30, 2018 and 2017 was $10,410 and $3,604, respectively.

13. Facility Closures

Merignac, France

During the three months ended September 30, 2017, the Company announced plans to consolidate our manufacturing facility located in Merignac, France into our existing facility in Libourne, France. The transition was substantially completed in the third quarter of fiscal 2018.

Below is a summary of the total contractual termination benefits and exit and disposal costs related to the closure of the Merignac facility:

	Total costs expected to be incurred	Total costs incurred Three Months Ended June 30, 2018	Total costs incurred Three Months Ended June 30, 2017	Cumulative costs incurred as of June 30, 2018
Severance and other termination benefits	**$ 703**	**$**	$	**$ 703**
Other associated costs	**450-750**	**27**		**374**

Other associated costs primarily consist of costs to dismantle, transport and reassemble manufacturing equipment that was moved to other manufacturing facilities, and ongoing costs related to the leased facility until expiration or early termination of the related lease agreement.

Below is a reconciliation of the beginning and ending liability balances related to the contractual termination benefits and exit and disposal costs:

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	Balance at March 31, 2018	Amounts Expensed	Amounts Paid	Balance at June 30, 2018
Severance and other termination benefits	$ 457		(407)	$ 50
Other associated costs		27	(27)	

The cumulative costs incurred in conjunction with the closure as of June 30, 2018 are $1,142, which were recorded in facility closure expenses in the condensed consolidated statements of income. The cumulative costs incurred include the exit and disposal costs above as well as $125 in non-cash impairment charges and $42 in net loss on the sale related to property, plant and equipment at the Merignac facility, which were recorded in facility closure expenses during the three months ended March 31, 2018. In addition, the Company reversed $102 in accrued pension related to employees that were terminated in conjunction with the closure, which were recorded to facility closure expenses during the three months ended March 31, 2018.

Dormans, France

During the three months ended June 30, 2017, the Company announced plans to close our manufacturing facility located in Dormans, France. Production at the facility ceased during the first quarter of fiscal 2018.

Below is a summary of the exit and disposal costs related to the closure of the Dormans facility:

	Total costs expected to be incurred	Total costs incurred Three Months Ended June 30, 2018	Total costs incurred Three Months Ended June 30, 2017	Cumulative costs incurred as of June 30, 2018
Severance and other termination benefits	$ 106	$	$ 34	$ 106
Other associated costs	23			23

Other associated costs primarily consist of costs to dismantle, transport and reassemble manufacturing equipment that was moved to other manufacturing facilities.

The cumulative costs incurred in conjunction with the closure as of June 30, 2018 are $260, which were recorded in facility closure expenses in the condensed consolidated statements of income. The cumulative costs incurred include the exit and disposal costs above as well as non-cash impairment charges of $25 related to the land and building that was previously held for sale at the Dormans facility, which was recorded in facility closure expenses during the three months ended December 31, 2017. In addition, the Company recorded a net loss on the disposal of property, plant and equipment of $59 related to assets in Dormans that were not transferred to other facilities and were sold or abandoned and wrote-off $47 in raw materials that were not transferred to other facilities during the three months ended March 31, 2018.

14. Commitments and Contingencies

Litigation

The Company is subject to various legal claims and contingencies that arise out of the normal course of business, including claims related to commercial transactions, product liability, health and safety, taxes, environmental matters, employee matters and other matters. Litigation is subject to numerous uncertainties and the outcome of individual claims and contingencies is not predictable. It is possible that some legal matters for which reserves have or have not been established could result in an unfavorable outcome for the Company and any such unfavorable outcome could be of a material nature or have a material adverse effect on our financial condition, results of operations and cash flows.

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15. Supplemental Cash Flow Disclosures

Supplemental disclosures with respect to cash flow information and non-cash operating, investing and financing activities are as follows:

	Three Months Ended	
	June 30, 2018	June 30, 2017
Supplemental Disclosures of Cash Flow Information:		
Interest paid	**$ 33,679**	$ 9,801
Income taxes paid, net of refunds	**7,862**	2,083
Supplemental Disclosures of Non-Cash Activities:		
Capital expenditures incurred but not yet paid	**$ 8,533**	$ 1,715
Change in derivative contract fair value - asset position	**4,462**	
Change in derivative contract fair value - liability position	**18,412**	
Business combinations accounted for as a purchase:		
Assets acquired (excluding cash)	**$ (387)**	$ (22)
Liabilities assumed	**387**	22
Net cash paid	**$**	$

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations
Information included in this Quarterly Report on Form 10-Q contains certain forward-looking statements that involve potential risks and uncertainties. Multi-Color Corporation s future results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed herein and those discussed in Part I, Item 1A of the Company s Annual Report on Form 10-K for the fiscal year ended March 31, 2018 (the 2018 10-K). Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date thereof. Results for interim periods may not be indicative of annual results.

Refer to Forward-Looking Statements following the index in this Form 10-Q. In the discussion that follows, all amounts are in thousands (both tables and text), except statistical data, per share data and percentages.

Following is a discussion and analysis of the financial statements and other statistical data that management believes will enhance the understanding of the Company s financial condition and results of operations:

Executive Overview

We are a leader in global label solutions supporting a number of the world s most prominent brands including leading producers of home & personal care, wine & spirits, food & beverage, healthcare and specialty consumer products. MCC serves international brand owners in the North American, Latin American, EMEA (Europe, Middle East and Africa) and Asia Pacific regions with a comprehensive range of the latest label technologies in Pressure Sensitive, Cut and Stack, In-Mold, Shrink Sleeve, Heat Transfer, Roll Fed and Aluminum Labels.

Results of Operations

Three Months Ended June 30, 2018 compared to the Three Months Ended June 30, 2017:

Net Revenues

	2018	2017	**$ Change**	**% Change**
Net revenues	**$ 456,131**	$ 242,440	**$ 213,691**	**88%**

Net revenues increased 88% to $456,131 compared to $242,440 in the prior year quarter. Acquisitions occurring after the beginning of fiscal 2018 accounted for an 80% increase in revenues, net of the sale of the Southeast Asian Durables business. Organic revenue increased by 6% and was broadly based across geographies and markets. Foreign exchange rates, primarily driven by appreciation of the Euro, led to a 2% increase in revenues quarter over quarter.

Cost of Revenues and Gross Profit

	2018	2017	**$ Change**	**% Change**
Cost of revenues	**$ 368,121**	$ 192,983	**$ 175,138**	**91%**
% of Net revenues	**80.7%**	79.6%		
Gross profit	**$ 88,010**	$ 49,457	**$ 38,553**	**78%**
% of Net revenues	**19.3%**	20.4%		

Cost of revenues increased 91% or $175,138 compared to the prior year quarter. Acquisitions occurring after the beginning of fiscal 2018, net of divestitures, contributed 84% or $162,424. Organic revenue growth, net of operating improvements, increased cost of revenues by 5% or $8,876. The remaining increase of 2% or $3,838 related to the unfavorable effects of foreign exchange.

Gross profit increased 78% or $38,553 compared to the prior year quarter. Acquisitions occurring after the beginning of fiscal 2018, net of divestitures, contributed 61% or $30,317 to gross profit. Strong, broadly based organic growth and improved operating performance primarily in North America led to an organic gross profit increase of 15% or $7,267. The remaining increase of 2% or $969 related to the favorable effects of foreign exchange. Gross margins were 19% of net revenues for the current year quarter including the impact of inventory purchase accounting charges of $131 in the current year quarter.

Selling, General and Administrative Expenses and Facility Closure Expenses

	2018	2017	$ Change	% Change
Selling, general and administrative expenses	**$ 42,768**	$ 23,589	**$ 19,179**	**81%**
% of Net revenues	**9.4%**	9.7%		
Facility closure expenses	**$ 27**	$ 34	**$ (7)**	**(21%)**
% of Net revenues	**0.0%**	0.0%		

Selling, general and administrative expenses increased 81% or $19,179 compared to the prior year quarter. Acquisitions occurring after the beginning of fiscal 2018, net of divestitures, and unfavorable foreign exchange contributed $15,130, and $438, to the increase, respectively. In the current year quarter, the Company incurred $4,220 of acquisition and integration expenses compared to $906 in the prior year quarter. Acquisition and integration expenses in the current year quarter included $4,173 related to the Constantia Labels acquisition. The remaining increase of $297 primarily relates to legal and professional fees.

Facility closure expenses were $27 in the current year quarter compared to $34 in the prior year quarter.

Interest Expense and Other Expense, Net

	2018	2017	$ Change	% Change
Interest expense	**$ 19,199**	$ 6,335	**$ 12,864**	**203%**
Other expense, net	**$ 1,044**	$ 1,199	**$ (155)**	**(13%)**

Interest expense increased 203% or $12,864 compared to the prior year quarter primarily due to the increase in debt borrowings to finance the acquisition of Constantia Labels.

Other expense was $1,044 in the current year quarter primarily related to unfavorable foreign exchange resulting from remeasurement of trade payables primarily in Latin America and South Africa in the current year quarter. This compares to expense of $1,199 in the prior year quarter primarily related to the release of a foreign indemnification receivable of $1,124 for which an offsetting tax liability was also relieved reducing the prior year quarter effective tax rate.

Income Tax Expense

	2018	2017	$ Change	% Change
Income tax expense	**$ 6,880**	$ 4,158	**$ 2,722**	**65%**

Income tax expense increased 65% or $2,722 in the current year quarter compared to the prior year quarter primarily due to higher taxable income resulting from a combination of improved organic operating performance and earnings from acquisitions occurring after the beginning of fiscal 2018, and a higher effective tax rate. The effective tax rate was 28% for the current year quarter compared to 23% in the prior year quarter including the release of a tax liability related to a foreign indemnification receivable related to previous acquisitions for $1,124 in the prior year quarter.

Liquidity and Capital Resources

Comparative Cash Flow Analysis

Through the three months ended June 30, 2018, net cash provided by operating activities was $23,728 compared to $15,145 in the same period of the prior year. Net income adjusted for non-cash expenses consisting primarily of depreciation, amortization of intangible assets and amortization of deferred financing fees was $47,758 in the current period compared to $27,966 in the same period of the prior year. Our use of operating assets and liabilities of $24,030 in the current period increased from a use of $12,821 in the same period of the prior year.

Through the three months ended June 30, 2018, net cash used in investing activities was $32,817 compared to $10,077 in the same period of the prior year. Capital expenditures, primarily funded by cash flows from operations totaled $33,955 in the current period compared to

$10,272 in the same period of the prior year. Proceeds from the sale of property, plant and equipment totaled $1,138 in the current period compared to $195 in the same period of the prior year.

Through the three months ended June 30, 2018, net cash provided by financing activities was $6,152, which included $7,663 of net debt borrowings, dividends paid to shareholders of Multi-Color Corporation of $1,022 and $475 of proceeds from the issuance of common stock. Cash provided by financing activities also included $964 in deferred payments related to the Constantia Labels acquisition.

Through the three months ended June 30, 2017, net cash used in financing activities was $5,492, which included $5,446 of net debt payments and dividends paid of $1,126, offset by $1,080 of proceeds from the issuance of common stock. Dividends paid includes $847 to shareholders of Multi-Color Corporation and $279 to the minority shareholders of our 60% owned legal entity in Malaysia.

Capital Resources

In conjunction with the Constantia Labels acquisition, effective October 31, 2017 the Company entered into a credit agreement (the New Credit Agreement) with various lenders. The New Credit Agreement replaced the Company s previous credit agreement and consists of (i) a senior secured first lien term loan A facility (the Term Loan A Facility) in an aggregate principal amount of $150,000 with a five year maturity, (ii) a senior secured first lien term loan B facility (the Term Loan B Facility) in an aggregate principal amount of $500,000 with a seven year maturity, and (iii) a senior secured first lien revolving credit facility (the Revolving Credit Facility) in an aggregate principal amount up to $400,000, comprised of a $360,000 U.S. revolving credit facility (the U.S. Revolving Credit Facility) and a $40,000 U.S. Dollar equivalent Australian sub-facility (the Australian Revolving Sub-Facility), each with a five year maturity.

The New Credit Agreement contains customary mandatory and optional prepayment provisions and customary events of default. The New Credit Agreement s Term Loan A Facility, Term Loan B Facility and U.S. Revolving Credit Facility (together, the U.S. facilities) are guaranteed by substantially all of the Company s direct and indirect wholly owned domestic subsidiaries, and such guarantors pledged substantially all their assets as collateral to secure the U.S. facilities. The Australian Revolving Sub-Facility is secured by substantially all of the assets of the Australian borrower and its direct and indirect subsidiaries.

The New Credit Agreement can be used for working capital, capital expenditures and other corporate purposes and to fund permitted acquisitions (as defined in the New Credit Agreement). Loans under the New Credit Agreement bear interest at variable rates plus a margin, based on the Company s consolidated secured net leverage ratio.

The New Credit Agreement contains customary representations and warranties as well as customary negative and affirmative covenants, which require the Company to maintain the following financial covenants at the end of each quarter: (i) the consolidated secured net leverage ratio as of the last day of any fiscal quarter of the Company shall not exceed 4.50 to 1.00 for the fiscal quarters ended during the period of March 31, 2017 through, and including June 30, 2019 and (ii) the consolidated secured net leverage ratio as of the last day of any fiscal quarter of the Company shall not exceed 4.25 to 1.00 for the fiscal quarters ended during the period of September 30, 2019 and thereafter.

The New Credit Agreement, the indenture governing the 4.875% Senior Notes (the 4.875% Senior Notes Indenture) and the indenture governing the 6.125% Senior Notes (the 6.125% Senior Notes Indenture and together with the 4.875% Senior Notes Indenture, the Indentures) limit the Company s ability to incur additional indebtedness. Additional covenants contained in the New Credit Agreement and the Indentures, among other things, restrict the ability of the Company to dispose of assets, incur guarantee obligations, make restricted payments, create liens, make

equity or debt investments, change the business conducted by the Company and its subsidiaries, and engage in certain transactions with affiliates. Under the New Credit Agreement and the Indentures, certain changes in control of the Company could result in the occurrence of an Event of Default. In addition, the New Credit Agreement limits the ability of the Company to modify terms of the Indentures. As of June 30, 2018, the Company was in compliance with the covenants in the New Credit Agreement and the Indentures.

Available borrowings under the U.S. Revolving Credit Facility and Australian Revolving Sub-Facility were $289,418 and $6,294, respectively, at June 30, 2018. The Company also has various other uncommitted lines of credit available at June 30, 2018 in the aggregate amount of $21,397.

The $600,000 aggregate principal amount of 4.875% Senior Notes due 2025 (the 4.875% Senior Notes) were issued in October 2017 to fund the acquisition of Constantia Labels. The 4.875% Senior Notes are unsecured senior obligations of the Company. Interest is payable on the 4.875% Senior Notes on May 1st and November 1st of each year beginning May 1, 2018 until the maturity date of November 1, 2025. The Company s obligations under the 4.875% Senior Notes are guaranteed by certain of the Company s existing direct and indirect wholly-owned domestic subsidiaries.

The $250,000 aggregate principal amount of 6.125% Senior Notes due 2022 (the 6.125% Senior Notes) were issued in November 2014. The 6.125% Senior Notes are unsecured senior obligations of the Company. Interest is payable on the 6.125% Senior Notes on June 1st and December 1st of each year beginning June 1, 2015 until the maturity date of December 1, 2022. The Company s obligations under the 6.125% Senior Notes are guaranteed by certain of the Company s existing direct and indirect wholly-owned domestic subsidiaries

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Contractual Obligations

The following table summarizes the Company s contractual obligations as of June 30, 2018:

	Total	Year 1	Year 2	Year 3	Year 4	Year 5	More than 5 years
Long-term debt	$ 1,598,754	$ 18,946	$ 14,546	$ 18,268	$ 23,870	$ 450,622	$ 1,072,502
Capital leases	33,886	3,825	3,388	3,002	1,855	1,963	19,853
Interest on long-term debt (1)	416,677	72,960	71,440	69,698	68,704	55,517	78,358
Rent due under operating leases	85,099	23,737	18,090	12,787	10,843	6,790	12,852
Unconditional purchase obligations	25,952	25,414	265	181	82	10	
Pension obligations	382	9	15	22	29	37	270
Unrecognized tax benefits (2)							
Contingent liability acquired	1,382			1,382			
Deferred purchase price	23,573	8,692	2,030	4,907	1,168	6,776	
Total contractual obligations	**$ 2,185,705**	**$ 153,583**	**$ 109,774**	**$ 110,247**	**$ 106,551**	**$ 521,715**	**$ 1,183,835**

(1) Interest on floating rate debt was estimated using projected forward London Interbank Offered Rate (LIBOR) and Bank Bill Swap Bid Rates (BBSY) as of June 30, 2018.

(2) The table excludes $7,296 of liabilities related to unrecognized tax benefits as the timing and extent of such payments are not determinable.

Critical Accounting Policies and Estimates

The preparation of condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. We continually evaluate our estimates, including, but not limited to, those related to revenue recognition, bad debts, inventories and any related reserves, income taxes, fixed assets, goodwill and intangible assets. We base our estimates on historical experience and on various other assumptions believed to be reasonable under the facts and circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Our critical accounting policies and estimates are discussed in the Critical Accounting Policies and Estimates section of Management s Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our 2018 10-K. In addition, our significant accounting policies are discussed in Note 2 of the Notes to Consolidated Financial Statements included in our 2018 10-K.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk
(in thousands, except for percentages)

The Company has no material changes to the disclosures made in the Company s Annual Report on Form 10-K for the year ended March 31, 2018.

Item 4. Controls and Procedures
Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company s management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the Company s disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of June 30, 2018. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the Company s disclosure controls and procedures were effective as of June 30, 2018.

Changes in Internal Control Over Financial Reporting

During the quarter ended June 30, 2018, the Company enacted additional controls associated with the adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606). There were no further changes in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors
The Company had no material changes to the Risk Factors disclosed in the Company s Annual Report on Form 10-K for the year ended March 31, 2018.

Item 6. Exhibits

31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification by the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification by the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document

101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

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

Multi-Color Corporation
(Registrant)

Date: August 9, 2018

By: /s/ Sharon E. Birkett
Sharon E. Birkett
Vice President, Chief Financial Officer, Secretary

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