BEMIS CO INC
Form 10-Q
October 26, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2018

Commission File Number 1-5277

BEMIS COMPANY, INC.
(Exact name of registrant as specified in its charter)

Missouri	43-0178130
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2301 Industrial Drive	
Neenah, Wisconsin	54956
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (920) 527-5000

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

Indicate by check mark whether the registrant has submitted electronically 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 x NO o

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

Large accelerated filer x Accelerated filer o

Non-accelerated filer o Smaller reporting company o

Emerging growth company o

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

Indicate by check mark whether the registrant is a shell company. YES o NO x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of October 24, 2018, the registrant had 91,016,975 shares of Common Stock, $0.10 par value, issued and outstanding.

Forward-Looking Statements

Unless otherwise indicated, references to "Bemis Company," the "Company," "we," "our," and "us" in this Quarterly Report on Form 10-Q refer to Bemis Company, Inc. and its consolidated subsidiaries.

This Quarterly Report contains certain estimates, predictions, and other “forward-looking statements” (as defined in the Private Securities Litigation Reform Act of 1995, and within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended). Forward-looking statements are generally identified with the words “believe,” “expect,” “anticipate,” “intend,” “estimate,” “target,” “may,” “wil “project,” “should,” “continue,” “outlook,” “approximately,” “would,” “could,” or the negative thereof or other similar express or discussion of future goals or aspirations, which are predictions of or indicate future events and trends and which do not relate to historical matters. Such statements are based on information available to management as of the time of such statements and relate to, among other things, expectations of the business environment in which we operate, projections of future performance (financial and otherwise), including those of acquired companies, perceived opportunities in the market and statements regarding our strategy and vision. Forward-looking statements involve known and unknown risks, uncertainties, and other factors, which may cause actual results, performance, or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Factors that could cause actual results to differ from those expected include, but are not limited to:

- Our pending merger with Amcor, including uncertainties as to timing of completion, the risk that the merger may not be completed in a timely manner or at all and the risk that our shareholders cannot be certain of the value of the consideration they will receive.
- The ability of our foreign operations to maintain working efficiencies, as well as properly adjust to continuing changes in global politics, legislation, and economic conditions;
- A failure to realize the full potential of our restructuring activities;
- Changes in the competitive conditions within our markets, as well as changes in the demand for our goods;
- Changes in the value of our goodwill and other intangible assets;
- Our ability to retain and build upon the relationships and sales of our key customers;
- The potential loss of business or increased costs due to customer or vendor consolidation;
- The costs, availability, and terms of acquiring our raw materials (particularly for polymer resins and adhesives), as well as our ability to pass any price changes on to our customers;
- Changes in import and export regulation that could subject us to liability or impair our ability to compete in international markets;
- Variances in key exchange rates that could affect the translation of the financial statements of our foreign entities;
- Our ability to effectively implement and update our global enterprise resource planning ("ERP") systems;
- Our ability to realize the benefits of our acquisitions and divestitures, and whether we are able to properly integrate those businesses we have acquired;
- Fluctuations in interest rates and our borrowing costs, along with other key financial variables;
- A potential failure in our information technology infrastructure or applications and their ability to protect our key functions from cyber-crime and other malicious content;
- Changes in our credit rating;
- Unexpected outcomes in our current and future administrative and litigation proceedings;
- Changes in governmental regulations, particularly in the areas of environmental, health and safety matters, fiscal incentives, and foreign investment;
- Our ability to effectively introduce new products into the market and to protect or retain our intellectual property rights;
- Changes in our ability to attract and retain high performance employees; and

- Our ability to manage all costs and the funded status associated with our pension plans.

These and other risks, uncertainties, and assumptions identified from time to time in our filings with the Securities and Exchange Commission, including without limitation, those described under Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017 and our quarterly reports on Form 10-Q, including the risk factors highlighted in Item 1A of this quarterly report could cause actual future results to differ materially from those projected in the forward-looking statements. In addition, actual future results could differ materially from those projected in the forward-looking statements as a result of changes in the assumptions used in making such forward-looking statements.

You should read this Quarterly Report and the documents that we reference in this Quarterly Report and have filed as exhibits to this Quarterly Report completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

PART I — FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
BEMIS COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(Unaudited)
(in millions, except per share amounts)

	Three Months Ended September 30		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net sales	$1,026.4	$1,035.1	$3,087.1	$3,042.6
Cost of products sold (1)	821.4	827.1	2,482.4	2,450.2
Gross profit	205.0	208.0	604.7	592.4
Operating expenses:				
Selling, general, and administrative expenses (1)	90.9	95.9	284.6	290.5
Research and development costs	9.3	10.0	28.7	33.6
Restructuring and other costs	16.1	12.9	50.5	41.1
Other operating income	(4.4)	(7.8)	(11.4)	(13.9)
Operating income	93.1	97.0	252.3	241.1
Interest expense	18.9	16.7	56.5	48.7
Other non-operating income (1)	(0.5)	(1.7)	(2.1)	(5.0)
Income before income taxes	74.7	82.0	197.9	197.4
Income tax provision	17.2	26.4	46.1	62.7
Net income	$57.5	$55.6	$151.8	$134.7
Basic earnings per share	$0.63	$0.61	$1.66	$1.47
Diluted earnings per share	$0.63	$0.61	$1.66	$1.46
Cash dividends paid per share	$0.31	$0.30	$0.93	$0.90

(1) Prior year information has been recast to reflect the adoption of pension accounting changes during the first quarter of 2018 and conform to current year presentation. Refer to Note 3 - New Accounting Guidance for further details.

See accompanying notes to condensed consolidated financial statements.

BEMIS COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)
(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income	$57.5	$55.6	$151.8	$134.7
Other comprehensive income (loss):				
Translation adjustments	(17.9)	31.7	(98.1)	57.6
Pension and other postretirement liability adjustments, net of tax (a)	2.9	2.2	9.0	6.6
Other comprehensive income (loss)	(15.0)	33.9	(89.1)	64.2
Total comprehensive income (loss)	$42.5	$89.5	$62.7	$198.9
(a) Tax benefit related to pension and other postretirement liability adjustments	$1.1	$1.4	$3.1	$4.1

See accompanying notes to condensed consolidated financial statements.

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BEMIS COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)
(in millions)

	September 30, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	$62.3	$71.1
Trade receivables	483.1	448.7
Inventories	627.7	620.2
Prepaid expenses and other current assets	86.1	97.1
Total current assets	1,259.2	1,237.1
Property and equipment, net	1,253.7	1,318.1
Goodwill	846.3	852.7
Other intangible assets, net	125.5	142.3
Deferred charges and other assets	119.7	149.7
Total other long-term assets	1,091.5	1,144.7
TOTAL ASSETS	$3,604.4	$3,699.9
LIABILITIES		
Current portion of long-term debt	$1.7	$5.0
Short-term borrowings	10.9	16.0
Accounts payable	513.4	477.2
Employee-related liabilities	98.3	73.1
Accrued income and other taxes	29.6	30.5
Other current liabilities	51.6	64.3
Total current liabilities	705.5	666.1
Long-term debt, less current portion	1,431.4	1,542.4
Deferred taxes	161.3	153.5
Other liabilities and deferred credits	118.9	136.7
Total liabilities	2,417.1	2,498.7
Commitments and contingencies (See Note 14)		
EQUITY		
Common stock issued (129.3 and 129.1 shares, respectively)	12.9	12.9
Capital in excess of par value	599.3	590.4
Retained earnings	2,391.1	2,324.8
Accumulated other comprehensive loss	(483.6)	(394.5)
Common stock held in treasury (38.3 shares at cost)	(1,332.4)	(1,332.4)
Total equity	1,187.3	1,201.2

TOTAL LIABILITIES AND EQUITY	$3,604.4	$3,699.9

See accompanying notes to condensed consolidated financial statements.

BEMIS COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)
(in millions)

	Nine Months Ended September 30, 2018	2017
Cash flows from operating activities		
Net income	$151.8	$134.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	126.5	127.5
Share-based compensation	14.6	13.0
Deferred income taxes	8.8	5.4
Income of unconsolidated affiliated company	(1.9)	(2.3)
Cash dividends received from unconsolidated affiliated company	2.7	—
Net loss on disposal of property and equipment	1.9	4.8
Changes in working capital, excluding effect of currency	(9.5)	8.2
Changes in other assets and liabilities	8.2	8.2
Net cash provided by operating activities	303.1	299.5
Cash flows from investing activities		
Additions to property and equipment	(113.0)	(143.0)
Business acquisitions and adjustments, net of cash acquired	—	(3.9)
Proceeds from sale of property and equipment	1.8	6.5
Net cash used in investing activities	(111.2)	(140.4)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	—	2.2
Repayment of long-term debt	(3.8)	—
Net repayment of commercial paper	(99.5)	1.0
Net repayment of short-term debt	(4.3)	(0.4)
Cash dividends paid to shareholders	(85.6)	(84.0)
Common stock purchased for the treasury	—	(103.8)
Stock incentive programs and related tax withholdings	(5.7)	(8.5)
Net cash used in financing activities	(198.9)	(193.5)
Effect of exchange rates on cash and cash equivalents	(1.8)	4.9
Net decrease in cash and cash equivalents	(8.8)	(29.5)
Cash and cash equivalents balance at beginning of year	71.1	74.2
Cash and cash equivalents balance at end of period	$62.3	$44.7

See accompanying notes to condensed consolidated financial statements.

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BEMIS COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF EQUITY
(Unaudited)
(in millions)

	Common Stock	Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Common Stock Held In Treasury	Total
Balance at December 31, 2016	$ 12.9	$ 581.5	$ 2,341.7	$ (447.8)	$ (1,228.6)	$ 1,259.7
Net income			134.7			134.7
Other comprehensive income				64.2		64.2
Cash dividends declared on common stock			(83.4)			(83.4)
Stock incentive programs and related tax withholdings (0.3 shares)		(8.5)				(8.5)
Share-based compensation		13.0				13.0
Purchase of 2.2 shares of common stock for the treasury					(103.8)	(103.8)
Balance at September 30, 2017	$ 12.9	$ 586.0	$ 2,393.0	$ (383.6)	$ (1,332.4)	$ 1,275.9
Balance at December 31, 2017	$ 12.9	$ 590.4	$ 2,324.8	$ (394.5)	$ (1,332.4)	$ 1,201.2
Net income			151.8			151.8
Other comprehensive income				(89.1)		(89.1)
Cash dividends declared on common stock			(85.5)			(85.5)
Stock incentive programs and related tax withholdings (0.2 shares)		(5.7)				(5.7)
Share-based compensation		14.6				14.6
Balance at September 30, 2018	$ 12.9	$ 599.3	$ 2,391.1	$ (483.6)	$ (1,332.4)	$ 1,187.3

See accompanying notes to condensed consolidated financial statements.

BEMIS COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by Bemis Company, Inc. (the "Company") in accordance with accounting principles for interim financial information generally accepted in the United States and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position and results of operations. It is management's opinion, however, that all material adjustments (consisting of normal recurring accruals) have been made which are necessary for a fair statement of its financial position, results of operations and cash flows. For further information, refer to the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Definitive Transaction Agreement with Amcor

On August 6, 2018, the Company announced that its Board of Directors, along with the Board of Directors of Amcor Limited ("Amcor"), unanimously approved a definitive agreement (the "Agreement") under which Bemis will combine with Amcor in an all-stock combination ("the Transaction").

The Transaction will be effected at a fixed exchange ratio of 5.1 Amcor shares for each share of the Company, resulting in Amcor and Bemis shareholders owning approximately 71% and 29% of the combined company, respectively. Closing of the Transaction is conditional upon the receipt of regulatory approvals, approval by both Amcor and Bemis shareholders, and satisfaction of other customary conditions. Subject to the satisfaction of the conditions to closing, the Transaction is targeted to close in the first quarter of calendar year 2019.

The Agreement contains certain termination rights for both Bemis and Amcor, including if the Transaction is not completed on or before August 6, 2019, subject in certain circumstances to extension to February 6, 2020 if necessary to secure certain regulatory approvals. The Agreement provides that Bemis will pay a $130 million termination fee to Amcor if, among other things, Bemis terminates the Agreement to enter into a superior proposal or if the Agreement is terminated following Bemis's Board of Directors changing its recommendation or failing to publicly affirm the board recommendation after receipt of a competing proposal. The Agreement also provides that Amcor will pay a $130 million termination fee to Bemis under similar circumstances.

In the third quarter of 2018, in connection with the Transaction, the Company incurred pre-tax expenses of approximately $10.0 million related to professional fees which are recorded in Restructuring and other costs in the condensed consolidated statement of income.

Note 2 — Significant Policies Update - Revenue Recognition

The Company's significant accounting policies are detailed in Note 2 — Significant Accounting Policies of its Annual Report on Form 10-K for the year ended December 31, 2017. Significant changes to the accounting policies as a result of adopting the new revenue recognition guidance on January 1, 2018 are discussed below.

The Company generates revenue by providing its customers with flexible and rigid plastic packaging serving a variety of markets including food, consumer products and healthcare end markets. The Company enters into a variety of agreements with customers, including quality agreements, pricing agreements and master supply agreements which outline the terms under which the Company does business with a specific customer. The Company also sells to some customers solely based on purchase orders. The Company has concluded for the vast majority of its revenues, that its contracts with customers are either a purchase order or the combination of a purchase order with a master supply agreement. All revenue recognized in the income statement is considered to be revenue from contracts with customers.

The Company typically satisfies the obligation to provide packaging to customers at a point in time upon shipment when control is transferred to customers. Revenue is recognized net of allowances for returns and customer claims and any taxes collected from customers, which are subsequently remitted to governmental authorities. The Company does not have contract assets or contract liabilities. The Company disaggregates revenue based on geography. Disaggregation of revenue is presented in Note 15 - Segments of Business.

Significant Judgments

Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. The Company identified potential performance obligations in its customer master supply agreements and determined that none of them are capable of being distinct as the customer can only benefit from the supplied packaging. Therefore, the Company has concluded that it has one performance obligation to supply packaging to customers.

The Company may provide variable consideration in several forms which are determined through its agreements with customers. The Company can offer prompt payment discounts, sales rebates or other incentive payments to customers. Sales rebates and other incentive payments are typically awarded upon achievement of certain performance metrics, including volume. The Company accounts for variable consideration using the most likely amount method. The Company utilizes forecasted sales data and rebate percentages specific to each customer agreement and updates its judgment of the amounts to which the customer is entitled each period.

The Company enters into long term agreements with certain customers, under which it is obligated to make various up-front payments for which it expects to receive a benefit in excess of the cost over the term of the contract. These up-front payments are deferred and reflected in prepaid expenses and other current assets or deferred charges and other assets on its consolidated balance sheet. Contract incentives are typically recognized as a reduction to revenue over the term of the customer agreement.

Practical Expedients

The Company sells primarily through its direct sales force. Any external sales commissions are expensed when incurred because the amortization period would be one year or less. External sales commission expense is included in selling, general and administrative expense on its consolidated statement of income.

The Company accounts for shipping and handling activities as fulfillment costs. Accordingly, shipping and handling costs are classified as a component of cost of products sold while amounts billed to customers are classified as a component of net sales.

The Company excluded from the measurement of the transaction price all taxes assessed by a government authority that are both imposed on and concurrent with a specific revenue producing transaction and collected from the customer, including sales taxes, value added taxes, excise taxes and use taxes. Accordingly, the tax amounts are not included in net sales.

The Company will not adjust the promised consideration for the time value of money for contracts where the difference between the time of payment and performance is one year or less.

Note 3 — New Accounting Guidance

Recently Adopted Accounting Standards

In August 2018, the Financial Accounting Standards Board ("FASB") issued guidance that aligns the requirements for capitalizing cloud computing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The accounting for the service element of a hosting arrangement that is a service contract is not affected by the guidance. The guidance was adopted by the Company in the third quarter of 2018 using prospective application and did not have a material impact on our financial statements.

In March 2017, the FASB issued guidance that will change how employers that sponsor defined benefit pension and other postretirement benefit plans present the cost of the benefits in the income statement. Under the new guidance, employers will present only the service cost component of the net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. In addition, only the service cost component will be eligible for capitalization in assets. Employers will present the other components separately from the line item that includes the service cost and outside of any subtotal of operating income. Other components of net periodic benefit cost are presented in other non-operating income on the condensed consolidated statement of income. The guidance was adopted by the Company in the first quarter of 2018, using the practical expedient permitting the use of the amounts disclosed in pension and other postretirement benefit plan notes as the estimation basis for the presentation of the prior comparative periods.

The income statement reclassifications are summarized as follows:

	Three Months Ended September 30, 2017		
(in millions)	As reported	Reclassification	As reclassified
Income statement:			
Cost of products sold	$827.4	$ (0.3)	$ 827.1
Selling, general, and administrative expenses	94.6	1.3	95.9
Other non-operating income	(0.7)	(1.0)	(1.7)

	Nine Months Ended September 30, 2017		
(in millions)	As reported	Reclassification	As reclassified
Income statement:			
Cost of products sold	$2,451.1	$ (0.9)	$ 2,450.2
Selling, general, and administrative expenses	286.8	3.7	290.5
Other non-operating income	(2.2)	(2.8)	(5.0)

In January 2017, the FASB issued new guidance that narrows the application of when an integrated set of assets and activities is considered a business and provides a framework to assist entities in evaluating whether both an input and a substantive process are present to be considered a business. It is expected that the new guidance will reduce the number of transactions that would need to be further evaluated and accounted for as a business. The guidance was adopted by the Company in the first quarter of 2018.

In August 2016, the FASB issued guidance to simplify elements of cash flow classification. The guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The new guidance requires cash payments for debt prepayment or debt extinguishment costs to be classified as cash outflows for financing activities. It also requires cash payments made soon after an acquisition's consummation date (approximately three months or less) to be classified as cash outflows for investing activities. Payments made thereafter should be classified as cash outflows for financing activities up to the amount of the original contingent consideration liability. Payments made in excess of the amount of the original contingent consideration liability should be classified as cash outflows for operating activities. The guidance was adopted by the Company in the first quarter of 2018.

In May 2014, the FASB issued new guidance which supersedes current revenue recognition requirements. This guidance is based on the principle that revenue is recognized to depict the transfer of 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 or services. We adopted the new revenue guidance on January 1, 2018 using the modified retrospective application transition method. We elected the practical expedient to apply the new revenue standard to only contracts that were not completed as of January 1, 2018. Adoption did not have an impact on our financial statements, but did significantly impact our disclosures for revenue. Refer to Note 2 for updated revenue disclosures which are required by the new guidance.

Recently Issued Accounting Standards

In February 2018, the FASB issued guidance on the reclassification of certain tax effects from accumulated other comprehensive income. The guidance requires the Company to disclose a description of the Company’s accounting policy for releasing income tax effects from accumulated other comprehensive income and whether the Company elects to reclassify the stranded income tax effects from the Tax Cuts and Jobs Act, along with information about other income tax effects that are reclassified. The guidance is required to be applied by the Company in 2019, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In August 2017, the FASB issued guidance that amends the hedge accounting rules to better portray the economic results of risk management activities in the financial statements and also to make targeted improvements to simplify the application of hedge accounting guidance. The guidance is required to be applied by the Company in the first quarter of 2019, but early adoption is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In February 2016, the FASB issued guidance that required lessees to put most leases on their balance sheets but recognize expenses on their income statements in a manner similar to today's accounting. The guidance also eliminates today's real estate-specific provisions and changes the guidance on sale-leaseback transactions, initial direct costs and lease executory costs for all entities. Lease classification will determine how to recognize lease-related revenue and expense. The Company will elect the optional transition method that allows for a cumulative-effect adjustment in the period of adoption and will not restate prior periods

The Company has formed a cross-functional implementation project team that is working to identify all lease contracts. The project team has begun the solution development phase of the project, during which it is developing and implementing new processes required to ensure the requirements of the new guidance are met. Development of the selected leasing software is ongoing given the software vendor is still working to resolve issues which prevent the solution from generating useful reports which calculate the impact of the new standard. The timely availability of the lease software solution is critical to ensure an efficient and effective adoption of the standard. The Company will adopt the guidance in January 2019 when the guidance becomes effective.

Note 4 - Restructuring and Other Costs

Restructuring and other costs as reported on the condensed consolidated statement of income are summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2018	2017	2018	2017
Restructuring costs	$4.0	$11.1	$18.8	$38.2
Restructuring related costs	2.1	1.0	21.7	1.0
Other charges	10.0	0.8	10.0	1.9
Total restructuring and other costs	$16.1	$12.9	$50.5	$41.1

Restructuring costs include the 2016 Plan focused on plant closures in Latin America and the 2017 Plan focused on aligning the Company's cost structure to its environment. Refer to Note 5 — Restructuring Plans for details for both the 2016 and 2017 Plans regarding expenses incurred and cash payments to date, in addition to disaggregation of costs by segment and cost category.

Restructuring related costs primarily include professional fees for consultants related to the Company's Agility plan.

Other charges in 2018 consist primarily of professional fees associated with the Company's announced transaction with Amcor.

Note 5 — Restructuring Plans

2016 Restructuring and Cost Savings Plan ("2016 Plan")

During the second quarter of 2016, the Company initiated a restructuring and cost savings plan to improve efficiencies and reduce fixed costs. As a part of this plan, four Latin American facilities were closed. Most of the production from these facilities was transferred to other facilities. As of September 30, 2018, manufacturing operations had ceased at all four of these manufacturing facilities. Based on current estimates and actual charges to date, the Company expects total pre-tax restructuring costs of approximately $32 million, with approximately $13 million in employee termination costs, approximately $2 million in fixed asset related costs, and $17 million in other costs, which primarily represent the cost to move and re-install equipment.

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The 2016 Plan costs are as follows:

(in millions)	Latin America Packaging	Rest of World Packaging	Total
2016 net expense accrued	$ 20.5	$ 1.1	$21.6
2017 net expense accrued	8.0	0.2	8.2
2018 first quarter net expense accrued	0.9	(0.1)	0.8
2018 second quarter net expense accrued	0.5	(0.1)	0.4
2018 third quarter net expense accrued	0.6	—	0.6
Expense incurred to date	30.5	1.1	31.6
Estimated future expense	—	—	—
Costs of program	$ 30.5	$ 1.1	$31.6

An analysis of the 2016 Plan accruals follows:

(in millions)	Employee Costs	Other Costs	Total Restructuring Costs
Reserve balance at December 31, 2017	$ 1.1	$4.4	$ 5.5
Net expense accrued	(0.4)	2.2	1.8
Utilization (cash payments or otherwise settled)	(0.7)	(2.1)	(2.8)
Translation adjustments and other	—	(0.9)	(0.9)
Reserve balance at September 30, 2018	$ —	$3.6	$ 3.6

Plant closings associated with the 2016 Plan are complete. Cash payments in 2017 and 2016 totaled $15.4 million and $8.3 million, respectively. Cash payments in the three and nine months ended September 30, 2018 totaled $0.8 million and $2.8 million, respectively. The costs related to restructuring activities have been recorded on the condensed consolidated statement of income as restructuring and other costs. The accruals related to restructuring activities have been recorded on the condensed consolidated balance sheet primarily as other liabilities and deferred credits.

2017 Restructuring and Cost Savings Plan ("2017 Plan")

On June 30, 2017, the Company announced restructuring activities targeted to improve efficiency and profitability that further positions the Company for long-term success. As a part of this plan, the Company announced the intention to close four production facilities for which business will be relocated to existing facilities and the closure of an additional manufacturing facility for which business will not be relocated. As of September 30, 2018, operations ceased at three of the four manufacturing facilities and business has been relocated to existing facilities; the additional manufacturing facility for which business was not relocated was also closed. Also as part of this plan, the Company announced it will reduce administrative positions by approximately 500 over three years and consolidate certain administrative offices and take other actions to improve the cost efficiency of a variety of administrative and operational processes.

The Company expects total 2017 Plan pre-tax restructuring costs of approximately $65 to $70 million, which includes $29 to $31 million in employee termination costs, $19 to $20 million in fixed asset related expenses, and $17 to $19 million in other restructuring project costs, including the movement and re-installation of equipment. Expenses in the three and nine months ended September 30, 2018 were $3.5 million and $17.0 million, respectively, which consisted primarily of employee termination costs and fixed asset write-downs of equipment.

The estimated 2017 Plan costs are as follows:

(in millions)	U.S. Packaging	Latin America Packaging	Rest of World Packaging	Corporate	Total
2017 net expense accrued	$ 13.4	$ 20.7	$ 1.5	$ 3.5	$ 39.1
2018 first quarter net expense accrued	2.0	1.2	1.1	0.1	4.4
2018 second quarter net expense accrued	4.0	4.5	0.5	0.1	9.1
2018 third quarter net expense accrued	2.4	0.6	0.4	0.1	3.5
Expense incurred to date	21.8	27.0	3.5	3.8	56.1
Estimated future expense	8.8	4.9	0.6	0.2	14.5
Estimated costs of program	$ 30.6	$ 31.9	$ 4.1	$ 4.0	$ 70.6

An analysis of the 2017 Plan accruals follows:

(in millions)	Employee Costs	Fixed Asset Related	Other Costs	Total Restructuring Costs
Reserve balance at December 31, 2017	$ 19.2	$ —	$ 2.5	$ 21.7
Net expense accrued	3.7	10.2	3.1	17.0
Utilization (cash payments or otherwise settled)	(10.6)	(10.2)	(1.5)	(22.3)
Translation adjustments and other	(2.3)	—	(0.6)	(2.9)
Reserve balance at September 30, 2018	$ 10.0	$ —	$ 3.5	$ 13.5

The 2017 Plan is expected to be completed by the end of 2019. Cash payments in the twelve months ended December 31, 2017 were $6.8 million. Cash payments in the three and nine months ended September 30, 2018 were $3.5 million and $12.9 million, respectively. The costs related to restructuring activities have been recorded on the condensed consolidated statement of income as restructuring and other costs. The accruals related to restructuring activities have primarily been recorded on the condensed consolidated balance sheet as other current liabilities.

Note 6 — Financial Assets and Financial Liabilities Measured at Fair Value

The fair values of the Company's financial assets and financial liabilities listed below reflect the amounts that would be received to sell the assets or paid to transfer the liabilities in an orderly transaction between market participants at the measurement date (exit price).

The Company's non-derivative financial instruments include cash and cash equivalents, trade receivables, accounts payable, short-term borrowings, and long-term debt. At September 30, 2018 and December 31, 2017, the carrying value of these financial instruments, excluding long-term debt, approximates fair value because of the short-term maturities of these instruments.

Fair value disclosures are classified based on the fair value hierarchy. Level 1 fair value measurements represent exchange-traded securities which are valued at quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Level 2 fair value measurements are determined using input prices that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Level 3 fair value measurements are determined using unobservable inputs, such as internally developed pricing models for the asset or liability due to little or no market activity for the asset or liability.

The fair value measurements of the Company's long-term debt represent non-active market exchange-traded securities which are valued at quoted prices or using input prices that are directly observable or indirectly observable through corroboration with observable market data. The carrying values and estimated fair values of long-term debt at September 30, 2018 and December 31, 2017 follow:

(in millions)	September 30, 2018 Carrying Value	September 30, 2018 Fair Value (Level 2)	December 31, 2017 Carrying Value	December 31, 2017 Fair Value (Level 2)
Long-term debt, less current portion	$1,431.4	$ 1,439.1	$1,542.4	$ 1,591.0

The fair values for derivatives are based on inputs other than quoted prices that are observable for the asset or liability. These inputs include interest rates. The financial assets and financial liabilities are primarily valued using standard calculations / models that use as their basis readily observable market parameters. Industry standard data providers are the primary source for forward and spot rate information for both interest rates and currency rates, with resulting valuations periodically validated through third-party or counterparty quotes. The fair value of the Company's derivatives follows:

(in millions)	Fair Value As of September 30, 2018 (Level 2)	Fair Value As of December 31, 2017 (Level 2)
Interest rate swaps — net asset (liability) position	$ (9.5)	$ (0.6)

Note 7 — Derivative Instruments

The Company enters into derivative transactions to manage exposures arising in the normal course of business. The Company does not enter into derivative transactions for speculative or trading purposes. The Company recognizes all derivative instruments on the balance sheet at fair value. Derivatives not designated as hedging instruments are adjusted to fair value through income. Depending on the nature of derivatives designated as hedging instruments, changes in the fair value are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in shareholders' equity through other comprehensive income until the hedged item is recognized. Gains or losses, if any, related to the ineffective portion of any hedge are recognized through earnings in the current period.

The Company enters into interest rate swap contracts to economically convert a portion of the Company's fixed-rate debt to variable rate debt. During the fourth quarter of 2011, the Company entered into four interest rate swap agreements with a total notional amount of $400 million. These contracts were designated as fair value hedges of the Company's $400 million 4.50 percent fixed-rate debt due in 2021. The variable rate for each of the interest rate swaps is based on the six-month London Interbank Offered Rate (LIBOR), set in arrears, plus a fixed spread. The variable rates are reset semi-annually at each net settlement date. Fair values of these interest rate swaps are determined using discounted cash flow or other appropriate methodologies. Asset positions are included in deferred charges and other assets with a corresponding increase in long-term debt. Liability positions are included in other liabilities and deferred credits with a corresponding decrease in long-term debt.

The Company enters into forward exchange contracts to manage foreign currency exchange rate exposures associated with certain foreign currency denominated receivables and payables. Forward exchange contracts generally have maturities of less than six months and relate primarily to the U.S. dollar for the Company's Brazilian operations. The Company has not designated these derivative instruments as hedging instruments. At September 30, 2018 and December 31, 2017, the Company had outstanding forward exchange contracts with notional amounts of $4.4 million and $2.7 million, respectively. The net settlement amount (fair value) related to active forward exchange contracts is recorded on the balance sheet as either a current or long-term asset or liability and as an element of other operating income which offsets the related transaction gains or losses. The net settlement amounts are immaterial for all periods presented.

The Company is exposed to credit loss in the event of non-performance by counterparties in forward exchange contracts and interest-rate swap contracts. Collateral is generally not required of the counterparties or of the Company. In the event a counterparty fails to meet the contractual terms of a currency swap or forward exchange contract, the Company's risk is limited to the fair value of the instrument. The Company actively monitors its exposure to credit risk through the use of credit approvals and credit limits, and by selecting major international banks and financial institutions as counterparties. The Company has not had any historical instances of non-performance by any counterparties, nor does it anticipate any future instances of non-performance.

The fair values, balance sheet presentation, and the hedge designation status of derivative instruments at September 30, 2018 and December 31, 2017 are presented in the table below:

(in millions)	Balance Sheet Location	Fair Value (Level 2) As of September 30, 2018	December 31, 2017
Liability Derivatives			
Interest rate swaps — designated as hedge	Other liabilities and deferred credits	$9.5	$ 0.6

The income statement impact of derivatives is presented in the table below:

(in millions)	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Deriva			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2018	2017	2018	2017
Designated as hedges					
Interest rate swaps	Interest expense	$ (0.4)	$ 0.8	$ (1.1)	$ 2.7
Not designated as hedges					
Forward exchange contracts	Other operating income	(0.1)	(0.4)	0.1	(0.7)
Total		$ (0.5)	$ 0.4	$ (1.0)	$ 2.0

Note 8 — Inventories

Inventories are valued at the lower of cost, as determined by the first-in, first-out ("FIFO") method, or net realizable value. Inventory values using the FIFO method of accounting approximate replacement cost. Inventories are summarized as follows:

(in millions)	September 30, 2018	December 31, 2017
Raw materials and supplies	$ 191.6	$ 198.3
Work in process and finished goods	436.1	421.9
Total inventories	$ 627.7	$ 620.2

Note 9 — Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill attributable to each reportable business segment follow:

(in millions)	U.S. Packaging Segment	Rest of World Packaging	Total
Reported balance at December 31, 2017	$ 633.1	$ 219.6	$852.7
Currency translation	(0.4)	(6.0)	(6.4)
Reported balance at September 30, 2018	$ 632.7	$ 213.6	$846.3

Accumulated goodwill impairment losses were $196.6 million as of September 30, 2018 and December 31, 2017 related to the Latin America Packaging segment.

The components of other intangible assets follow:

(in millions)	September 30, 2018		December 31, 2017	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Contract based	$9.1	$ (1.4)	$9.9	$ (1.6)
Technology based	79.4	(59.8)	79.7	(56.6)
Marketing related	12.7	(8.9)	14.1	(9.3)
Customer based	205.4	(111.0)	210.1	(104.0)
Reported balance	$306.6	$ (181.1)	$313.8	$ (171.5)

Amortization expense for intangible assets was $12.7 million and $12.7 million during the first nine months of 2018 and 2017, respectively. Estimated future amortization expense for intangible assets follows:

(in millions)	Amortization
Remainder of 2018	$ 4.3
2019	16.8
2020	16.0
2021	13.8
2022	12.3
2023	11.9

Note 10 — Components of Net Periodic Benefit Cost

Benefit costs for defined benefit pension and other postretirement plans are shown below. The funding policy and assumptions disclosed in the Company's 2017 Annual Report on Form 10-K are expected to continue unchanged throughout 2018.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	Pension Benefits		Other Benefits		Pension Benefits		Other Benefits	
(in millions)	2018	2017	2018	2017	2018	2017	2018	2017
Service cost - benefits earned during the period	$1.9	$1.8	$—	$—	$5.7	$5.5	$—	$—
Interest cost on projected benefit obligation	6.7	7.7	0.1	—	20.1	22.9	0.1	0.1
Expected return on plan assets	(10.8)	(12.1)	—	—	(32.4)	(36.3)	—	—
Settlement loss	—	—	—	—	—	0.3	—	—
Amortization:								
Prior service cost	0.2	0.2	(0.1)	—	0.7	0.6	(0.2)	(0.2)
Actuarial net loss (gain)	4.2	3.4	(0.3)	(0.2)	12.5	10.4	(0.9)	(0.6)
Net periodic benefit cost	$2.2	$1.0	$(0.3)	$(0.2)	$6.6	$3.4	$(1.0)	$(0.7)

Service cost is recorded in cost of products sold and selling, general, and administrative expenses in the income statement. All other components are recorded within other non-operating income.

Costs for defined contribution pension plans were $6.2 million and $20.4 million for the three and nine months ended September 30, 2018, respectively. Costs for defined contribution pension plans were $7.9 million and $23.4 million for the three and nine months ended September 30, 2017, respectively.

Note 11 — Income Taxes

The lower effective income tax rate for the nine months ended September 30, 2018 compared to the same period in 2017 is primarily due to the corporate tax rate reduction in the U.S. from enacted tax legislation commonly referred to as the Tax Cuts and Jobs Act ("TCJA"). The difference between the Company's overall tax rate and the U.S. statutory rate of 21 percent principally relates to state and local income taxes, net of federal income tax benefits, and the differences between tax rates in the various foreign jurisdictions in which the Company operates. The Company's first quarter results include a discrete income tax expense of approximately $0.4 million and an income tax benefit of approximately $0.9 million, in 2018 and 2017, respectively, related to employee share-based payment accounting.

The TCJA was enacted in December 2017. ASC 740, Accounting for Income Taxes, requires companies to recognize the effects of tax law changes in the period of enactment. The TCJA makes broad and complex changes to the U.S. tax code including, but not limited to (1) reducing the U.S. federal corporate tax rate from 35 percent to 21 percent, (2) requiring a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries that may be paid over eight years, (3) accelerating expensing of certain capital expenditures, (4) eliminating or limiting certain deductions (interest, domestic production activities, and executive compensation), and (5) establishing global minimum income tax and base erosion tax provisions related to offshore activities and affiliated party payments.

Due to the timing of the new tax law and the substantial changes it brings, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting for the TCJA. The Company recognized the provisional tax impacts related to deemed repatriated earnings and the revaluation of deferred tax assets and liabilities in its consolidated financial statements for the year ended December 31, 2017. The

Company has not changed these estimates during the nine months ended September 30, 2018. The ultimate impact of the TCJA may differ from the provisional amounts, possibly materially, due to, among other things, additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the TCJA. The accounting is expected to be completed within the one year measurement period allowed under SAB 118.

Note 12 — Accumulated Other Comprehensive Income (Loss)

The components and activity of accumulated other comprehensive income (loss) are as follows:

(in millions)	Foreign Currency Translation	Pension And Other Postretirement Liability Adjustments	Accumulated Other Comprehensive Loss
December 31, 2016	$ (330.7)	$ (117.1)	$ (447.8)
Other comprehensive income (loss) before reclassifications	57.6	—	57.6
Amounts reclassified from accumulated other comprehensive income (loss)	—	6.6	6.6
Net current period other comprehensive income (loss)	57.6	6.6	64.2
September 30, 2017	$ (273.1)	$ (110.5)	$ (383.6)
December 31, 2017	$ (291.1)	$ (103.4)	$ (394.5)
Other comprehensive income (loss) before reclassifications	(98.1)	—	(98.1)
Amounts reclassified from accumulated other comprehensive income (loss)	—	9.0	9.0
Net current period other comprehensive income (loss)	(98.1)	9.0	(89.1)
September 30, 2018	$ (389.2)	$ (94.4)	$ (483.6)

The following table summarizes amounts reclassified from accumulated other comprehensive income (loss):

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2018	2017	2018	2017
Pension and postretirement costs (See Note 10)	$4.0	$3.4	$12.1	$10.5
Tax benefit	(1.1)	(1.2)	(3.1)	(3.9)
Pension and postretirement costs, net of tax	$2.9	$2.2	$9.0	$6.6

Accumulated other comprehensive income (loss) associated with pension and other postretirement liability adjustments are net of tax effects of $58.5 million and $61.6 million as of September 30, 2018 and December 31, 2017, respectively.

Note 13 — Earnings Per Share Computations

A reconciliation of basic and diluted earnings per share is below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except per share amounts)	2018	2017	2018	2017
Numerator				
Net income	$ 57.5	$ 55.6	$ 151.8	$ 134.7

Denominator				
Weighted average common shares outstanding — basic	91.0	90.9	91.0	91.8
Dilutive shares	0.6	0.3	0.3	0.3
Weighted average common and common equivalent shares outstanding — diluted	91.6	91.2	91.3	92.1
Per common share income				
Basic	$ 0.63	$ 0.61	$ 1.66	$ 1.47
Diluted	$ 0.63	$ 0.61	$ 1.66	$ 1.46

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Certain stock awards outstanding were not included in the computation of diluted earnings per share above because they would not have had a dilutive effect. There were no excluded stock awards for the three and nine months ended September 30, 2018. The excluded stock awards represented an aggregate of 0.6 million shares for the three and nine months ended September 30, 2017.

Note 14 — Legal Proceedings

The Company is involved in a number of lawsuits incidental to its business, including environmental-related litigation and routine litigation arising in the ordinary course of business. Although it is difficult to predict the ultimate outcome of these cases, the Company believes, except as discussed below, that any ultimate liability would not have a material adverse effect on the Company’s consolidated financial condition or results of operations.

Environmental Matters

The Company, or one or more of its affiliates, has been identified as a potentially responsible party ("PRP") pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (commonly known as "Superfund") and similar state and foreign laws at 12 sites in the United States and one in Brazil, with respect to which the Company's liability has not yet been finalized pursuant to a settlement agreement. In addition, the Company or one or more of its affiliates has been identified as a PRP in several other Superfund sites at which the cleanup of the site has been completed or the Company's liability with respect to the site has been resolved pursuant to a settlement (or both). These proceedings were instituted by the United States Environmental Protection Agency and certain state and foreign environmental agencies at various times beginning in 1983. Superfund and similar state and foreign laws create liability for investigation and remediation in response to releases of hazardous substances in the environment. Under these statutes, joint and several liability may be imposed on waste generators, site owners and operators, and others regardless of fault. Although these regulations could require the Company to remove or mitigate the effects on the environment at various sites, perform remediation work at such sites, or pay damages for loss of use and non-use values, the Company expects its liability in these proceedings to be limited to monetary damages. The Company expects its future liability relative to these sites to be insignificant, individually and in the aggregate.

The Company is involved in other environmental-related litigation arising in the ordinary course of business. The Company accrues environmental costs when it is probable that these costs will be incurred and can be reasonably estimated. The Company's reserve for environmental liabilities at September 30, 2018 and December 31, 2017 was $0.7 million and $0.9 million, respectively, and is included in other liabilities and deferred credits on the accompanying condensed consolidated balance sheet.

Brazil Tax Dispute - Goodwill Amortization

During October 2013, Dixie Toga, Ltda ("Dixie Toga"), a Bemis subsidiary, received an income tax assessment in Brazil for the tax years 2009 through 2011 that relates to the amortization of certain goodwill generated from the acquisition of Dixie Toga. The income tax assessed for those years is approximately $9.5 million, translated to U.S. dollars at the September 30, 2018 exchange rate. The Company expects that tax examinations for years after 2011 will include similar assessments as the Company continues to claim the tax benefits associated with the goodwill amortization. An ultimate adverse resolution on these assessments, including interest and penalties, could be material to the Company's consolidated results of operations and/or cash flows.

The Company has been advised by its legal and tax advisors that its position with respect to the deductions is allowable under the tax laws of Brazil. The Company is contesting the disallowance and believes it is more likely than not the tax benefit will be sustained in its entirety and consequently has not recorded a liability. In May of 2017, the Company received a favorable administrative decision. The government is appealing this decision to the next administrative level. The Company intends to litigate the matter if it is not resolved at the administrative appeals levels. The ultimate outcome could take several years. At this time, the Company believes that final resolution of the assessment will not have a material impact on the Company's consolidated financial statements.

Note 15 — Segments of Business

The Company's business activities are organized around and aggregated into its three principal business segments, U.S. Packaging, Latin America Packaging, and Rest of World Packaging, based on their similar economic characteristics, products, production process, types of customers, and distribution methods. Both internal and external reporting conforms to this organizational structure, with no significant differences in accounting policies applied. Intersegment sales (which are not significant) are generally priced to reflect nominal markups.

The Company evaluates the performance of its segments and allocates resources to them based primarily on operating profit, which is defined as profit before restructuring and other costs, general corporate expense, interest expense, other non-operating income, and income taxes.

Sales to the Kraft Heinz Company, and its subsidiaries, accounted for approximately 11 and 10 percent of the Company's sales for the nine months ended September 30, 2018 and 2017, respectively. The Company sells to Kraft Heinz primarily through its U.S. Packaging segment.

A summary of the Company’s business activities reported by its three business segments follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Business Segments (in millions)	2018	2017	2018	2017
Sales including intersegment sales:				
U.S. Packaging	$697.8	$684.5	$2,068.1	$2,012.1
Latin America Packaging	149.0	184.7	478.8	535.6
Rest of World Packaging	191.9	182.2	582.1	537.4
Intersegment sales:				
U.S. Packaging	(9.4)	(12.2)	(30.0)	(29.4)
Latin America Packaging	(0.7)	(0.9)	(2.6)	(2.9)
Rest of World Packaging	(2.2)	(3.2)	(9.3)	(10.2)
Total net sales	$1,026.4	$1,035.1	$3,087.1	$3,042.6
Segment operating profit				
U.S. Packaging	$93.4	$99.6	$270.5	$263.2
Latin America Packaging	8.0	7.3	25.0	23.8
Rest of World Packaging	22.2	17.3	57.4	45.7
Restructuring and other costs	16.1	12.9	50.5	41.1
General corporate expenses	14.4	14.3	50.1	50.5
Operating income	93.1	97.0	252.3	241.1
Interest expense	18.9	16.7	56.5	48.7
Other non-operating income	(0.5)	(1.7)	(2.1)	(5.0)
Income before income taxes	$74.7	$82.0	$197.9	$197.4

A summary of the Company's net sales by geographic area reported by its three business segments follows:

	Three Months Ended September 30, 2018			
Net sales by geographic area (in millions)	U.S. Packaging	Latin America Packaging	Rest of World Packaging	Total
Net sales (1):				
United States	$688.4	$ —	$ 64.7	$753.1
Brazil	—	99.4	—	99.4
Other Americas	—	48.9	—	48.9
Europe	—	—	75.8	75.8
Asia-Pacific	—	—	49.2	49.2
Total	$688.4	$ 148.3	$ 189.7	$1,026.4

	Nine Months Ended September 30, 2018			
Net sales by geographic area (in millions)	U.S. Packaging	Latin America Packaging	Rest of World Packaging	Total
Net sales (1):				
United States	$2,038.1	$ —	$ 186.3	$2,224.4
Brazil	—	315.8	—	315.8
Other Americas	—	160.4	—	160.4
Europe	—	—	242.4	242.4
Asia-Pacific	—	—	144.1	144.1
Total	$2,038.1	$ 476.2	$ 572.8	$3,087.1

	Three Months Ended September 30, 2017			
Net sales by geographic area (in millions)	U.S. Packaging	Latin America Packaging	Rest of World Packaging	Total
Net sales (1):				
United States	$672.3	$ —	$ 55.5	$727.8
Brazil	—	126.5	—	126.5
Other Americas	—	57.3	—	57.3
Europe	—	—	72.8	72.8
Asia-Pacific	—	—	50.7	50.7
Total	$672.3	$ 183.8	$ 179.0	$1,035.1

	Nine Months Ended September 30, 2017			
Net sales by geographic area (in millions)	U.S. Packaging	Latin America Packaging	Rest of World Packaging	Total
Net sales (1):				
United States	$1,982.7	$ —	$ 168.3	$2,151.0
Brazil	—	362.9	—	362.9
Other Americas	—	169.8	—	169.8
Europe	—	—	214.4	214.4
Asia-Pacific	—	—	144.5	144.5
Total	$1,982.7	$ 532.7	$ 527.2	$3,042.6

(1) Net sales are attributed to geographic areas based on location of the Company's manufacturing or selling operation.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Three and Nine Months Ended September 30, 2018

Management's Discussion and Analysis should be read in conjunction with the Condensed Consolidated Financial Statements.

(dollars in millions, except per share amounts)	Three Months Ended September 30, 2018		2017		Nine Months Ended September 30, 2018		2017	
Net sales	$1,026.4	100.0 %	$1,035.1	100.0 %	$3,087.1	100.0 %	$3,042.6	100.0 %
Cost of products sold (1)	821.4	80.0	827.1	79.9	2,482.4	80.4	2,450.2	80.5
Gross profit	205.0	20.0	208.0	20.1	604.7	19.6	592.4	19.5
Operating expenses								
Selling, general, and administrative expenses (1)	90.9	8.9	95.9	9.3	284.6	9.2	290.5	9.5
Research and development costs	9.3	0.9	10.0	1.0	28.7	0.9	33.6	1.1
Restructuring and other costs	16.1	1.6	12.9	1.2	50.5	1.6	41.1	1.4
Other operating income	(4.4)	(0.4)	(7.8)	(0.8)	(11.4)	(0.4)	(13.9)	(0.5)
Operating income	93.1	9.1	97.0	9.4	252.3	8.2	241.1	7.9
Interest expense	18.9	1.8	16.7	1.6	56.5	1.8	48.7	1.6
Other non-operating income (1)	(0.5)	—	(1.7)	(0.2)	(2.1)	(0.1)	(5.0)	(0.2)
Income before income taxes	74.7	7.3	82.0	7.9	197.9	6.4	197.4	6.5
Income tax provision	17.2	1.7	26.4	2.6	46.1	1.5	62.7	2.1
Net income	$57.5	5.6 %	$55.6	5.4 %	$151.8	4.9 %	$134.7	4.4 %
Effective income tax rate		23.0 %		32.2 %		23.3 %		31.8 %
Diluted earnings per share	$0.63		$0.61		$1.66		$1.46	
Adjusted diluted earnings per share (2)	$0.77		$0.70		$2.08		$1.76	

(1) Prior year information has been recast to reflect the adoption of pension accounting changes during the first quarter of 2018 and conform to our current year presentation. Refer to Note 3 - New Accounting Guidance for further details.
(2) Refer to "Presentation of Non-GAAP Financial Information"

Overview

Bemis Company, Inc. is a major supplier of flexible and rigid plastic packaging used by leading and emerging food, consumer products, healthcare, and other companies worldwide. Historically, approximately 80 percent of our total net sales are to customers in the food industry. Sales of our packaging products are widely diversified among food and non-food categories and can be found in nearly every grocery aisle of retail stores.

Market Conditions

The markets into which our products are sold have historically been, and continue to be, highly competitive. Our leading market positions in packaging for perishable food and medical device products reflect our focus on value-added, proprietary products that provide food safety and sterility benefits. We also manufacture products for which our technical know-how and economies of scale offer us a competitive advantage. The primary raw materials for our business segments are polymer resins and films, paper, inks, adhesives, aluminum, and chemicals.

In the U.S., many of our consumer packaged goods customers have seen pressure on their sales volumes during recent years for a variety of reasons, including shifting consumer preferences. During recent years, we have invested in equipment that is well-suited to on-trend opportunities in this region, and we have developed a more deliberate action plan to align our resources to pursue these pockets of growth.

Additionally, the political instability and incrementally challenging economic environment in Brazil are impacting our business. As consumers, retailers, and our customers react to the situation in the region, our unit volumes and mix of products sold are adversely impacted. The challenges associated with the economic environment in Brazil have and will continue to put pressure on our sales and earnings. We are executing a cost reduction plan in Latin America to help offset these impacts.

Restructuring

Refer to Note 5 — Restructuring Plans for details for both the 2016 and 2017 Plans regarding expenses incurred and cash payments to date, in addition to disaggregation of costs by segment and cost category.

2017 Restructuring and Cost Savings Plan ("2017 Plan")

During the second quarter of 2017, we initiated restructuring activities to improve efficiency and profitability that further position us for long-term success. We announced the remaining details of the 2017 Plan during the third quarter of 2017. The 2017 Plan includes the following actions: the closure of four manufacturing facilities for which business will be relocated to existing facilities, the closure of an additional manufacturing facility for which business will not be relocated, the consolidation of office space, and the reduction of our administrative support cost structure, which includes the elimination of 500 positions. As of September 30, 2018, operations ceased at four of the manufacturing facilities. For three of the facilities, business has been relocated to existing facilities; for the remaining facility, business was not relocated, in line with our plan. The total program cost is estimated at $110 to $125 million, including $65 to $70 million in total pre-tax restructuring charges, $35 to $45 million in pre-tax other plan-related costs and approximately $10 million in capital investment related to executing the 2017 Plan. We expect an annual pre-tax savings run rate of $65 million by 2019 from the 2017 Plan.

During the nine months ended September 30, 2018, we recorded restructuring charges totaling $18.8 million, of which $1.8 million related to the 2016 Plan. Restructuring charges in 2018 consisted of employee termination and fixed asset related costs and other costs which include costs to move and reinstall equipment. In addition, we recorded $21.7 million in other plan-related costs related to the 2017 Plan, which consisted of consulting fees and loss on assets sold. During 2017, we recorded restructuring charges totaling $47.4 million, of which $8.2 million related to the 2016 Plan. Restructuring charges consisted primarily of employee termination costs and fixed asset write-downs of equipment. In addition, we recorded $10.3 million in other plan-related costs related to the 2017 Plan, which consisted of consulting fees and impairment on assets sold.

The 2017 Plan is expected to be completed by the end of 2019. Total restructuring and other plan-related cash payments for the 2017 Plan are expected to be approximately $75 to $85 million. Cash payments during the nine months ended September 30, 2018 were $30.7 million. Cash payments during the twelve months ended December 31, 2017 were $8.9 million. We expect restructuring and other plan-related payments of approximately $40 million in 2018 with the balance of total expected cash payments in 2019.

Results of Operations — Third Quarter 2018

Consolidated Overview

(in millions, except per share amounts)	2018	2017
Net sales	$1,026.4	$1,035.1
Net income	57.5	55.6
Diluted earnings per share	0.63	0.61
Adjusted diluted earnings per share (1)	0.77	0.70

(1) Refer to "Presentation of Non-GAAP Financial Information"

Net sales for the third quarter of 2018 decreased 0.8 percent compared to the same period of 2017. The impact of currency translation reduced net sales by 4.3 percent. The acquisition of Evadix increased net sales by 0.2 percent. Organic sales growth of 3.3 percent reflects favorable selling prices and mix of products sold, partially offset by decreased unit volumes of approximately three percent.

Diluted earnings per share for the third quarter of 2018 were $0.63 compared to $0.61 reported in the same quarter of 2017. Adjusted diluted earnings per share for the third quarter of 2018 were $0.77 compared to $0.70 reported in the same quarter of 2017. Diluted earnings per share for 2018 included a $0.05 per share charge for restructuring costs related primarily to plant closures in the Latin America and U.S. Packaging segments and reductions in our administrative support cost structure. Diluted earnings per share for 2018 also included a $0.09 per share charge for other costs related to the pending transaction with Amcor. Results for 2017 included an $0.09 per share charge for restructuring costs related primarily to planned plant closures in the Latin America and U.S. Packaging segments.

U.S. Packaging Business Segment

(dollars in millions)	2018	2017
Net sales	$688.4	$672.3
Operating profit	93.4	99.6
Operating profit as a percentage of net sales	13.6 %	14.8 %

U.S. Packaging net sales of $688.4 million for the third quarter of 2018 represented an increase of 2.4 percent compared to the same period of 2017. The increase in net sales was driven primarily by higher selling prices partially offset by lower unit volumes of two percent. Approximately half of the unit volume decline was driven by the Company’s planned shutdown of infant care business at its Shelbyville, Tennessee facility.

U.S. Packaging operating profit increased to $93.4 million in the third quarter of 2018, or 13.6 percent of net sales, compared to $99.6 million, or 14.8 percent of net sales, in 2017. Prior year U.S. Packaging operating profit included a $4 million benefit from an accrual reversal for unearned customer incentives. Operating profit in the third quarter of 2018 includes the benefits of cost savings from the Company’s Agility plan and improved operations, offset by freight, current-year customer incentives, and the impact of strong results on employee pay-for-performance awards.

Latin America Packaging Business Segment

(dollars in millions)	2018	2017
Net sales	$148.3	$183.8
Operating profit	8.0	7.3
Operating profit as a percentage of net sales	5.4 %	4.0 %

Latin America Packaging net sales of $148.3 million for the third quarter of 2018 represented a decrease of 19.3 percent compared to the same period of 2017. Currency translation and the impact of implementing high inflation accounting in the Company’s business in Argentina decreased net sales by 23.7 percent. Organic sales growth of 4.4

percent reflects improved sales price and mix partially offset by decreased unit volumes of 15 percent driven primarily by the planned decrease of some laundry detergent packaging volume in Brazil that is converting to another format.

Latin America Packaging operating profit increased to $8.0 million in the third quarter of 2018, or 5.4 percent of net sales, compared to $7.3 million, or 4.0 percent of net sales, in 2017. The net impact of currency translation decreased operating profit during the third quarter by $1.7 million. Additionally, the implementation of high inflation accounting in the Company's Argentina business negatively impacted operating profit by $1.4 million during the third quarter of 2018. The remaining $3.8 million increase in Latin America Packaging operating profit was driven by variable and fixed cost savings actions implemented in light of the challenging economic environment in Brazil and the Company's Agility plan, partially offset by the impact of volume.

Rest of World Packaging Business Segment

(dollars in millions)	2018	2017
Net sales	$189.7	$179.0
Operating profit	22.2	17.3
Operating profit as a percentage of net sales	11.7 %	9.7 %

Rest of World Packaging net sales of $189.7 million for the third quarter of 2018 represented an increase of 6.0 percent compared to the same period of 2017. Currency translation reduced net sales by 0.8 percent. The acquisition of Evadix increased net sales by 1.2 percent. Organic sales growth of 5.6 percent reflects increased unit volumes of approximately three percent and increased sales price and mix.

Rest of World Packaging operating profit increased to $22.2 million in the third quarter of 2018, or 11.7% of net sales, compared to $17.3 million, or 9.7 percent of net sales, in 2017. The net impact of currency translation decreased operating profit during the third quarter by $0.2 million. The increase in operating profit in Rest of World Packaging was driven primarily by increased sales volume and strong performance in healthcare packaging.

Consolidated Selling, General, and Administrative Expenses

(dollars in millions)	2018	2017
Selling, general, and administrative expenses (SG&A)	$90.9	$95.9
SG&A as a percentage of net sales	8.9 %	9.3 %

The decrease in SG&A expenses is due primarily to Agility savings partially offset by normal inflation and the impact of stronger financial performance on annual employee pay-for-performance awards.

Restructuring and Other Costs

(dollars in millions)	2018	2017
Restructuring and other costs	$16.1	$12.9
Restructuring and other costs as a percentage of net sales	1.6 %	1.2 %

Restructuring costs include costs related to the 2016 Plan focused on plant closures in Latin America and the 2017 Plan focused on aligning our cost structure to the business environment in which we operate. Refer to Note 4 — Restructuring and Other Costs and Note 5 — Restructuring Plans for details for both the 2016 and 2017 Plans regarding expenses incurred and cash payments to date, in addition to disaggregation of costs by segment and cost category. Restructuring and other costs also include transaction costs associated with the pending merger with Amcor.

Interest Expense

(dollars in millions)	2018	2017
Interest expense	$18.9	$16.7
Effective interest rate	5.1 %	4.3 %

Interest expense in 2018 increased primarily due to higher interest rates on commercial paper and other variable-rate debt.

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Other Non-operating Income

(in millions)	2018	2017
Other non-operating income	$(0.5)	$(1.7)

Other non-operating income in 2018 includes interest income of $0.5 million. Other non-operating income in 2017 includes interest income of $0.7 million and income related to pension benefits of $1.0 million. Refer to Note 3 - New Accounting Guidance for further details on the accounting for pension plans.

Results of Operations — Nine Months Ended September 30, 2018

Consolidated Overview

(in millions, except per share amounts)	2018	2017
Net sales	$3,087.1	$3,042.6
Net income	151.8	134.7
Diluted earnings per share	1.66	1.46
Adjusted diluted earnings per share (1)	2.08	1.76

(1) Refer to "Presentation of Non-GAAP Financial Information"

Net sales for the nine months ended September 30, 2018, increased 1.5 percent from the same period of 2017. The impact of currency translation reduced net sales by 1.7 percent. The Evadix acquisition increased net sales by 0.2 percent. Organic sales growth of 3.0 percent reflects favorable selling prices and mix of products sold partially offset by decreased unit volumes of approximately one percent.

Diluted earnings per share for the nine months ended September 30, 2018 were $1.66 compared to $1.46 reported in the same period of 2017. Diluted earnings per share for 2018 included a $0.33 per share charge for restructuring costs related primarily to plant closures in the Latin America and U.S. Packaging segments and reductions in our administrative support cost structure. Diluted earnings per share for 2018 also included a $0.09 per share charge for other costs related to the pending transaction with Amcor. Results for 2017 included a $0.30 per share charge for restructuring costs related primarily to planned plant closures in the Latin America and U.S. Packaging segments.

U.S. Packaging Business Segment

(dollars in millions)	2018	2017
Net sales	$2,038.1	$1,982.7
Operating profit	270.5	263.2
Operating profit as a percentage of net sales	13.3 %	13.3 %

U.S. Packaging net sales increased 2.8 percent in the nine months ended September 30, 2018, compared to the same period of 2017. The increase in net sales was driven primarily by sales price and mix partially offset by lower unit volumes of approximately one percent, primarily a result of the planned shutdown of our Shelbyville, Tennessee facility.

Operating profit for the nine months ended September 30, 2018 was $270.5 million, or 13.3% of net sales, compared to $263.2 million, or 13.3% of net sales, in 2017. The increase in U.S. Packaging operating profit was driven by improved operations and cost savings from our Agility plan, partially offset by customer incentives and the impact of strong results on annual employee pay-for-performance awards.

Latin America Packaging Business Segment

(dollars in millions)	2018	2017
Net sales	$476.2	$532.7

Operating profit	25.0	23.8
Operating profit as a percentage of net sales	5.2 %	4.5 %

Latin America Packaging net sales decreased 10.6 percent in the nine months ended September 30, 2018 compared to the same period of 2017. The impact of currency translation reduced net sales by 14.2% percent.

Operating profit for the nine months ended September 30, 2018 was $25.0 million, or 5.2% of net sales, compared to $23.8 million, or 4.5% of net sales, in 2017. The net impact of currency translation decreased operating profit during the period by 3.7 million. Additionally, the implementation of high inflation accounting in the Company's Argentina business during the third quarter of 2018 negatively impacted operating profit by $1.4 million. The remaining $6.3 million increase in Latin America Packaging operating profit in 2018 was driven by variable and fixed cost savings actions implemented in light of the challenging economic environment in Brazil and the Company's Agility plan.

Rest of World Packaging Business Segment		
(dollars in millions)	2018	2017
Net sales	$572.8	$527.2
Operating profit	57.4	45.7
Operating profit as a percentage of net sales	10.0 %	8.7 %

Rest of World Packaging net sales increased 8.6 percent in the nine months ended September 30, 2018 compared to the same period of 2017. The impact of currency translation increased net sales by 4.1 percent. The Evadix acquisition increased net sales by 1.1 percent. Organic sales growth of 3.4 percent primarily reflects increased unit volumes driven by strong organic growth in our healthcare packaging business.

Operating profit for the nine months ended September 30, 2018 was $57.4 million, or 10.0% of net sales, compared to $45.7 million, or 8.7 percent of net sales, in 2017. Improvement in Rest of World Packaging operating profit was driven primarily by the impact of increased sales volume and strong performance in our healthcare packaging business.

Consolidated Selling, General, and Administrative Expenses		
(dollars in millions)	2018	2017
Selling, general, and administrative expenses (SG&A)	$284.6	$290.5
SG&A as a percentage of net sales	9.2 %	9.5 %

The decrease in SG&A expenses is due primarily to Agility savings partially offset by normal inflation and the impact of stronger financial performance on annual employee pay-for-performance awards.

Research and Development (R&D) Costs		
(dollars in millions)	2018	2017
Research and development (R&D) costs	$28.7	$33.6
R&D as a percentage of net sales	0.9 %	1.1 %

Reduction in R&D expenses is attributed to certain administrative position reductions and rebalancing of R&D resources to assist with operations implementation of productivity and cost out projects.

Restructuring and Other Costs		
(dollars in millions)	2018	2017
Restructuring and other costs	$50.5	$41.1
Restructuring and other costs as a percentage of net sales	1.6 %	1.4 %

Restructuring and other costs include costs related to the 2016 Plan focused on plant closures in Latin America and the 2017 Plan focused on aligning our cost structure to the business environment in which we operate. Refer to Note 4 — Restructuring and Other Costs and Note 5 — Restructuring Plans for details for both the 2016 and 2017 Plans regarding expenses incurred and cash payments to date, in addition to disaggregation of costs by segment and cost category. Restructuring and other costs also include restructuring related costs associated with the 2017 Plan and transaction costs associated with the pending merger with Amcor.

Interest Expense

(dollars in millions)	2018	2017
Interest expense	$56.5	$48.7
Effective interest rate	5.0 %	4.2 %

Interest expense in 2018 increased primarily due to higher interest rates on commercial paper and other variable-rate debt.

Other Non-operating Income

(in millions)	2018	2017
Other non-operating income	$(2.1)	$(5.0)

Other non-operating income in 2018 includes interest income of $2.0 million. Other non-operating income in 2017 includes interest income of $2.2 million and income related to pension benefits of $2.8 million. Refer to Note 3 - New Accounting Guidance for further details on the accounting for pension plans.

Consolidated Income Taxes

(dollars in millions)	2018	2017
Income taxes	$46.1	$62.7
Effective tax rate	23.3 %	31.8 %

The primary difference in the effective income tax rate between the third quarter of 2018 and 2017 is the reduction of the U.S. corporate statutory tax rate as the result of the Tax Cuts and Jobs Act (“TCJA”) of 2017 signed on December 22, 2017.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”) to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting for the TCJA. The Company recognized the provisional tax impacts resulting from the TCJA related to deemed repatriated earnings and the revaluation of deferred tax assets and liabilities and included these amounts in its consolidated financial statements for the year ended December 31, 2017. The ultimate impact may differ from these provisional amounts, possibly materially, due to, among other things, additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the TCJA. The Company expects to finish recording the impact of the TCJA in the fourth quarter.

The difference between our overall tax rate and the U.S. statutory rate of 21 percent principally relates to state and local income taxes, net of federal income tax benefits, and the differences between tax rates in the various foreign jurisdictions in which we operate. In addition, our first quarter results included a discrete income tax expense of approximately $0.4 million, and an income tax benefit of approximately $0.9 million, in 2018 and 2017, respectively, related to employee share-based payment accounting. We expect similar discrete income tax impacts in future years that will vary dependent upon the value of share based payouts in those years.

We expect the effective income tax rate for the full year of 2018 to be approximately 23%.

Presentation of Non-GAAP Information

This Quarterly Report on Form 10-Q refers to non-GAAP financial measures: adjusted diluted earnings per share, organic sales growth (decline), and net debt. These non-GAAP financial measures adjust for factors that are unusual or unpredictable. These measures exclude the impact of significant tax reform, certain amounts related to the effect of changes in currency exchange rates, acquisitions, and restructuring, including employee-related costs, equipment relocation costs, accelerated depreciation and the write-down of equipment. These measures also exclude gains or losses on sales of significant property and divestitures, certain litigation matters, and certain acquisition-related expenses, including transaction expenses, due diligence expenses, professional and legal fees, purchase accounting adjustments for inventory and order backlog and changes in the fair value of deferred acquisition payments. This adjusted information should not be construed as an alternative to results determined in accordance with accounting principles generally accepted in the United States of America (GAAP). Management of the Company uses the non-GAAP measures to evaluate operating performance and believes that these non-GAAP measures are useful to enable investors to perform comparisons of current and historical performance of the Company.

A reconciliation of reported diluted earnings per share to adjusted diluted earnings per share for the three and nine months ended September 30, 2018 and 2017 follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Diluted earnings per share, as reported	$0.63	$0.61	$1.66	$1.46
Non-GAAP adjustments per share, net of taxes:				
Restructuring and related costs (1)	0.05	0.09	0.33	0.30
Other costs (2)	0.09	—	0.09	—
Diluted earnings per share, as adjusted	$0.77	$0.70	$2.08	$1.76

(1) Restructuring and related costs include the 2016 Plan focused on plant closures in Latin America and the 2017 Plan focused on aligning the Company's cost structure to the business environment in which it operates. Restructuring related costs primarily include professional fees for consultants.

(2) Other costs include costs related to the pending transaction with Amcor.

A reconciliation of total debt to net debt at September 30, 2018 and December 31, 2017 follows:

(in millions)	September 30, 2018	December 31, 2017
Current portion of long-term debt	$1.7	$5.0
Short-term borrowings	10.9	16.0
Long-term debt, less current portion	1,431.4	1,542.4
Total debt	1,444.0	1,563.4
Less cash and cash equivalents	(62.3)	(71.1)
Net debt	$1,381.7	$1,492.3

The components of changes in net sales for the three and nine months ended September 30, 2018 follow:

	Three Months Ended September 30, 2018 Percent Change YoY	Nine Months Ended September 30, 2018 Percent Change YoY
U.S. Packaging:		
Organic sales growth (decline)	2.4 %	2.8 %
U.S. Packaging	2.4 %	2.8 %
Latin America Packaging:		
Currency effect	(23.7)%	(14.2)%
Organic sales growth (decline)	4.4 %	3.6 %
Latin America Packaging	(19.3)%	(10.6)%
Rest of World Packaging:		
Currency effect	(0.8)%	4.1 %
Acquisition effect	1.2 %	1.1 %
Organic sales growth (decline)	5.6 %	3.4 %
Rest of World Packaging	6.0 %	8.6 %
Total Company:		
Currency effect	(4.3)%	(1.7)%
Acquisition effect	0.2 %	0.2 %
Organic sales growth (decline)	3.3 %	3.0 %
Total change in net sales	(0.8)%	1.5 %

We determine the effect of changes in currency exchange rates by translating the respective period's sales using the same currency exchange rates that were in effect during the prior year. When we acquire businesses, we exclude sales in the current period for which there are no comparable sales in the prior period. Organic sales growth (decline) is calculated by comparing current period sales translated at prior year rates and eliminating the effect of acquisitions to reported sales in the prior year.

Liquidity and Capital Resources

Net Debt to Total Capitalization

Net debt to total capitalization (which includes total debt net of cash balances divided by total debt net of cash balances plus equity) was 53.8 percent and 55.4 percent at September 30, 2018 and December 31, 2017, respectively. Total debt as of September 30, 2018 and December 31, 2017 was $1.4 billion and $1.6 billion, respectively.

Cash Flow

Net cash provided by operating activities was $303.1 million for the first nine months of 2018, compared to $299.5 million for the first nine months of 2017. Working capital improvements in 2017 reflect the initial benefits of extended payment terms negotiated with suppliers.

Net cash used in investing activities was $111.2 million for the first nine months of 2018 compared to $140.4 million for the same period of 2017. Capital expenditures were $113.0 million for the first nine months of 2018 compared to $143.0 million for the first nine months of 2017. In the nine months ended September 30, 2017, we received approximately $6.5 million in proceeds from sale of property and equipment, primarily reflecting $5.6 million of net proceeds from the sale of land and buildings in the United States related to a previous restructuring program.

Net cash used in financing activities was $198.9 million for the nine months ended September 30, 2018, compared to $193.5 million for the same period of 2017, which included share repurchases of $103.8 million in 2017. Net change in total debt was due to repayments of $107.6 million and borrowings of $2.8 million for the nine months ended September 30, 2018 and 2017, respectively.

Available Financing

In addition to using cash provided by operating activities, we issue commercial paper to meet our short-term liquidity needs. As of September 30, 2018, our commercial paper debt outstanding was $138.8 million.

On July 22, 2016, we amended our $1.1 billion revolving credit facility, extending the term of the agreement from August 12, 2018 to July 22, 2021. Our revolving credit facility is supported by a group of major U.S. and international banks. Covenants imposed by the revolving credit facility include a minimum net worth calculation and a maximum ratio of debt to total capitalization as defined in our credit agreement. As of September 30, 2018, there was $138.8 million of commercial paper outstanding supported by this credit facility, leaving $961.2 million of available credit. If we were not able to issue commercial paper, we would expect to meet our financial liquidity needs by accessing the bank market, which would increase our borrowing costs. Any borrowings under the credit agreement would be subject to a variable interest rate. We are in compliance with all debt covenants.

Liquidity Outlook

We expect cash flow from operations and available liquidity described above to be sufficient to support future operating activities. There can be no assurance, however, that the cost or availability of future borrowings will not be impacted by future capital market disruptions.

Dividends

In February 2018, the Board of Directors approved the 35th consecutive annual increase in the quarterly cash dividend on common stock to $0.31 per share, a 3.3 percent increase.

New Accounting Pronouncements

Refer to Note 3 — New Accounting Guidance in the Condensed Consolidated Financial Statements.

Critical Accounting Estimates and Judgments

Our discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to retirement benefits, intangible assets, and expected future performance of operations. Our estimates and judgments are based on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. These critical accounting estimates are discussed in detail in “Management’s Discussion and Analysis — Critical Accounting Estimates and Judgments” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company's market risk during the nine-month period ended September 30, 2018. For additional information, refer to Note 6 and Note 7 to the Condensed Consolidated Financial Statements and to Part II, Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

ITEM 4. CONTROLS AND PROCEDURES

The Company’s management, under the direction, supervision, and involvement of the Chief Executive Officer and the Chief Financial Officer, has carried out an evaluation, as of the end of the period covered by this report, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)) of the Company. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that disclosure controls and procedures in place at the Company are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the Securities and Exchange Commission’s rules and forms and is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. There were no changes in the Company's internal control over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The material set forth in Note 14 of the Notes to Condensed Consolidated Financial Statements is incorporated herein by reference.

ITEM 1A. RISK FACTORS

Information about our risk factors is contained in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. Other than as set forth below related to proposed transaction with Amcor, including the merger of the Company with a wholly owned subsidiary of New Amcor (the “Merger”), there have been no material changes to the risk factors disclosed in such Annual Report.

Risks Related to the Proposed Transaction with Amcor.

The Merger is subject to a number of conditions beyond our control. Failure to complete the Merger within the expected timeframe, or at all, could adversely affect our business, results of operations and our stock price.
The consummation of the Merger remains conditioned, among other things, on: (i) approval by Amcor shareholders of the Scheme by the requisite majority under the Australian Corporations Act 2001 (Cth) (the “Australian Act”), (ii) approval by our shareholders of the Merger by the requisite majority under the General and Business Corporation Law of Missouri, (iii) expiration or earlier termination of any applicable waiting period and receipt of regulatory consents, approvals and clearances, in each case, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and under relevant antitrust, competition and foreign investment legislation in certain other relevant jurisdictions, (iv) approval of the Scheme by the Federal Court of Australia under the Australian Act, (v) approval from the New York Stock Exchange to the listing of shares of New Amcor to be issued in the Merger and (vi) no events having occurred that would have a material adverse effect on the Company or Amcor.

We cannot predict whether and when these remaining conditions will be satisfied. If one or more of these conditions is not satisfied, and as a result, we do not complete the Merger, we would remain liable for significant transaction costs without realizing any benefits of the Merger. Certain costs associated with the Merger have already been incurred or may be payable even if the Merger is not consummated. In addition to the above risks, we may be required to pay to Amcor a termination fee of $130 million if the Merger is terminated under certain circumstances, including if, among other things, we terminate the Transaction Agreement with Amcor (the “Transaction Agreement”) to enter into a superior proposal or if the Merger is terminated following our board of directors changing its recommendation or failing to publicly affirm the board recommendation after receipt of a competing proposal. Finally, disruptions to our business resulting from the announcement and uncertain timing of the Merger, including adverse changes in our relationships with our customers, partners, suppliers and employees, could result in the event that the Merger is not consummated.

Our stock price may also fluctuate significantly based on announcements regarding the Merger or based on market perceptions of the likelihood of us satisfying the closing conditions related to the Merger. Such announcements may lead to perceptions in the market that the Merger may not be completed, which could cause our stock price to fluctuate or decline. If we do not consummate the Merger, the price of our common stock may decline significantly from the current market price, which may reflect a market assumption that the proposed Merger will be consummated. Any of these events could harm our business, results of operations and financial condition and could cause a decline in the price of our common stock.

Our shareholders cannot be sure of the value of the consideration they will receive in the Merger.

Our shareholders cannot be sure of the precise value of the consideration they will receive in the Merger because the market price of Amcor's shares will fluctuate prior to the consummation of the Merger. In addition, the number of New Amcor shares our shareholders will receive in the Merger is fixed under the Transaction Agreement and will not be adjusted at closing of the Merger as a result of increases or decreases in the trading price of our common stock or Amcor shares or currency exchange rates following the announcement of the Merger. As a result, we could deliver greater value to the Amcor shareholders than had been anticipated by us should the value of the shares of our common stock increase relative to the value of Amcor shares from the date of execution of the Agreement. Stock price changes may result from a variety of factors, including changes in the respective businesses, operations or prospects, regulatory considerations, governmental actions, legal proceedings and general business, market, industry, political or economic conditions and changes in currency exchange rates between the U.S. dollar and Australian dollar. Market assessments of the benefits of the Merger and the likelihood the Merger will be consummated could also impact the price of our common stock and Amcor's shares. Many of these factors are beyond either company's control.

Our shareholders will have a reduced ownership and voting interest in the combined company after the Merger and will exercise less influence over management.
Currently, our shareholders have the right to vote in the election of our board and the power to approve or reject any matters requiring shareholder approval under applicable law and certificate of incorporation and bylaws. Upon completion of the Merger, each of our shareholders who receives shares of the combined company's common stock pursuant to the Transaction Agreement will become a shareholder of the combined company with a percentage ownership that is smaller than our shareholders' current percentage ownership of the Company.

Based on the fixed exchange ratio of 5.1 New Amcor shares for every one Bemis share, after the Merger our shareholders are expected to become owners of approximately 29% of the outstanding shares of the combined company. Our shareholders would therefore have a less significant impact on the election of the combined company's board and on the approval or rejection of future proposals submitted to a shareholder vote.

Lawsuits may be filed against us and our directors in an effort to challenge the Merger, and an adverse ruling in such lawsuits may prevent the Merger from becoming effective or from becoming effective within the expected timeframe.
Putative class action lawsuits naming us and our directors as defendants may be brought by shareholders challenging the Merger and seeking, among other things, to enjoin consummation of the Merger. As such, if any of the plaintiffs are successful in obtaining an injunction prohibiting the consummation of the Merger, then such injunction may prevent the Merger from becoming effective or from becoming effective within the expected timeframe.

We have and will continue to incur transaction and merger-related costs in connection with the Merger, which may be in excess of those anticipated by us.
We have incurred and will incur expenses in connection with the negotiation and completion of the Merger, including advisor fees and the costs and expenses of filing, printing and mailing the joint proxy statement/prospectus.

We expect to continue to incur a number of non-recurring costs associated with completing the Merger. These fees and costs may be substantial. The majority of the non-recurring expenses will consist of transaction costs related to the Merger and include, among others, employee retention costs, fees paid to financial, legal and accounting advisors, and severance and benefit costs. We may also incur transaction fees and costs related to formulating and implementing integration plans, including facilities and systems consolidation costs and employment-related costs.

The aforementioned costs, as well as other unanticipated costs and expenses, could have a material adverse effect on our financial condition and operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We did not repurchase any of our equity securities in the three months ended September 30, 2018. As of September 30, 2018, under authority granted by the Board of Directors, we have remaining authorization to repurchase an additional 18,187,211 shares of our common stock.

ITEM 6. EXHIBITS

Pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), we have filed certain agreements as exhibits to this Quarterly Report on Form 10-Q. These agreements may contain representations and warranties by the parties thereto. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may have been qualified by disclosures made to such other party or parties, (ii) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments, which may not be fully reflected in our public disclosure, (iii) may reflect the allocation of risk among the parties to such agreements and (iv) may apply materiality standards different from what may be viewed as material to investors. Accordingly, these representations and warranties may not describe our actual state of affairs at the date hereof and should not be relied upon.

Exhibit	Description	Form of Filing
2	Transaction Agreement, dated as of August 6, 2018, by and among Bemis Company, Inc., Amcor Limited, Arctic Jersey Limited and Arctic Corp. (Certain schedules and exhibits have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the Securities and Exchange Commission upon request.) (Incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated August 6, 2018 (File No. 1-5277)).	Incorporated by Reference
3(a)	Restated Articles of Incorporation of the Registrant, as amended. (Incorporated by reference to Exhibit 3(a) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 (File No. 1-5277)).	Incorporated by Reference
3(b)	By-Laws of the Registrant, as amended through October 7, 2016. (Incorporated by reference to Exhibit 3(ii) to the Registrant's Current Report on Form 8-K dated October 7, 2016 (File No. 1-5277)).	Incorporated by Reference
4(a)	Form of Indenture dated as of June 15, 1995, between the Registrant and U.S. Bank Trust National Association (formerly known as First Trust National Association), as Trustee. Copies of constituent instruments defining rights of holders of long-term debt of the Company and Subsidiaries, other than the Indenture specified herein, are not filed herewith, pursuant to Instruction (b)(4)(iii)(A) to Item 601 of Regulation S-K, because the total amount of securities Authorized under any such instrument does not exceed 10% of the total assets of the Company and Subsidiaries on a consolidated basis. The registrant hereby agrees that it will, upon request by the SEC, furnish to the SEC a copy of each such instrument. (Incorporated by reference to Exhibit 4(a) to the Registrant's Registration Statement on Form S-3 dated June 15, 1995 (File No. 33-60253)).	Incorporated by Reference
10	Form of Retention Agreement with Certain Executive Officers.	Filed Electronically
31.1	Rule 13a-14(a)/15d-14(a) Certification of CEO.	Filed Electronically
31.2	Rule 13a-14(a)/15d-14(a) Certification of CFO.	Filed Electronically
32	Section 1350 Certification of CEO and CFO.	Filed Electronically
101	Interactive data files.	Filed Electronically

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.

		BEMIS COMPANY, INC.
Date	October 26, 2018	/s/ Michael B. Clauer
		Michael B. Clauer, Senior Vice President and Chief Financial Officer